



# STUDY ON LATIN AMERICA, THE CARIBBEAN AND CENTRAL AND EASTERN EUROPE: POTENTIAL FOR ECONOMIC EXCHANGE



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## LIST OF ACRONYMS

- AA:** Association Agreement
- ALADI:** Latin American Integration Association
- CAN:** Andean Community of Nations
- CARICOM:** Caribbean Community
- CARIFORUM:** Caribbean Forum
- CEE:** Central and Eastern Europe
- CELAC:** Community of Latin American and Caribbean States
- ECLA:** Economic Commission for Latin America
- EPA:** Economic Partnership Agreement
- EU:** European Union
- EUROLAT:** Euro-Latin American Parliamentary Assembly
- FDI:** Foreign Direct Investment
- FTA:** Free Trade Agreement
- FTZ:** Free Trade Zone
- GSP:** Generalised System of Preferences
- GVC:** Global Value Chains
- LAC:** Latin America and Caribbean
- MERCOSUR:** Common Market of the South (Latin America)
- NAFTA:** North American Free Trade Agreement
- OAS:** Organisation of American States
- SME:** Small and Medium-Sized Enterprise
- SICA:** Central American Integration System
- UNCOMTRADE:** United Nations Commodity Trade Statistics Database
- UNCTAD:** United Nations Conference on Trade and Development
- UNWTO:** World Tourism Organization
- WTO:** World Trade Organization



# 1 INTRODUCTION

The year 2014 marks ten years since the European Union's (EU) first great eastward expansion. During this time major changes have taken place in Europe, Latin America and the Caribbean (LAC) as well as at international level. These have altered the relationships between and perceptions of the protagonists in both regions. Entry into the European Community has been the main agent of change for countries of Central and Eastern Europe and has determined the vast majority of political priorities, but their new position as Member States has also opened up other regions to them, with which either they previously had few links or the links had been severed by political difficulties. On their side, Latin America and the Caribbean has enjoyed a period of growth and stability over the last decade, which has allowed it to position itself as an emerging region and open itself to new ways of integrating into the international scene. This study aims to analyse the impact that accession to the EU has had on relations between Central and Eastern Europe (CEE) countries<sup>1</sup> and LAC countries<sup>2</sup> and the opportunities which present themselves looking beyond the difficulties caused by the economic crisis which started in 2008.

We begin with an analysis of historical, social, and political antecedents and determinants prior to accession which determined the starting point for relations and their development. This is followed by an analysis of the evolution of relations after accession of CEE countries to the EU, looking firstly at economic relations, mainly trade and investment, to discover if, after their entry into the EU, there was diversion or creation of trade and to study the fluctuations in

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<sup>1</sup> These include: Estonia, Latvia, Lithuania, Poland, Hungary, Czech Republic, Slovenia, and Slovakia, which have formed part of the EU since 2004, as well as Bulgaria and Romania, which acceded in 2007.

<sup>2</sup> Thinking of the importance of their exchange with the EU as well as the availability of data and current economic statistics, we have included the following LAC countries in the study: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Peru, Panama, Paraguay, Surinam, Trinidad and Tobago, Uruguay and Venezuela

<sup>3</sup> The presented papers are: Gábor Túry (2014): "Economic cooperation within global value chains among CEE and LAC countries Example of the Volkswagen Group - case study of the Audi Motor Hungaria Kft"; Szalavetz, Andrea (2014): "Inter-regional value chains encompassing Latin-America and Central and Eastern Europe – Signs of a promising future or ad hoc exceptions to the rule of 'triadization' rather than globalization?"; Éltető Andrea (2014): "Trade and investment – economic relations between Central and Eastern European and Latin American countries".

investment currents. To this end, an exhaustive study of the statistical data has been carried out (Appendix 1), based on three papers<sup>3</sup> on specific aspects. These papers are available as on-line Annexes to this report on the EU-LAC Foundation's website, [www.eulacfoundation.org](http://www.eulacfoundation.org). Further to the statistical data and the reports, the research also offers a qualitative analysis based on a series of 30 interviews (Appendix 2) carried out among relevant protagonists of both regions which have served to identify the difficulties for exchange, but also the potential offered by it.

One specific section is dedicated to the analysis of the legal-institutional framework within which the Strategic Partnership is situated. This period has been defined by the bi-regional Strategic Partnership developed after the 1999 Rio Summit and has been structured through: political dialogue; a network of agreements signed by the EU with countries and groups of countries in the region; and EU cooperation programmes towards LAC. There is an analysis of the use of those already in force and the potential of new cooperation agreements or those currently being negotiated or renewed. This section is supported by another two papers that present the perspective of CEE and LAC countries respectively and can also be found in the on-line Annexes.<sup>4</sup>

As a complement, an analysis of bilateral initiative has also been included. To go into more depth on this and given the difficulties of securing detailed information from all countries, three case studies have been carried out on some of the countries with the greatest relevance for relations: one on Poland and its relations with LAC (Kinga Brudzińska and Maya Rostowska), a second one on the relations between Mexico and the CEE countries (María Cristina Silva) and, finally, a third one on relations between Poland and Brazil (Fabricio Borges Carrijo and Santiago Villar). The case studies are available as part of the on-line Annexes.

The following section aims to analyse other tools for cooperation and relationships arising, still in fledgling form, between both groups of countries, including migratory movements and the role of diasporas, tourism and other non-governmental cooperation relationships. These are especially based on the case studies and the interviews carried out, given the limitations and dispersion of available data. Finally, the conclusions analyse the strengths and weaknesses of the relations and outline a series of proposals to improve them.

The project, carried out thanks to the initiative and funding of the EU-LAC Foundation, was a collaborative exercise initially between three institutions (CIDOB, IWE and ECSA), which were joined by two researchers from PISM (Kinga Brudzińska and Maya Rostowska). This diversity has allowed us to provide the project with a multidisciplinary plural perspective.

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<sup>4</sup> Silva Parejas, María Cristina (2014): "La relación con los países de Europa Central y Oriental como elemento de dinamización del intercambio birregional"; Meisel, Sandor (2014): "Policy framework of the cooperation between the European Union and Latin American and the Caribbean countries".





## 2 RELATIONS BETWEEN LAC AND CEE COUNTRIES BEFORE ACCESSION TO THE EU

Historic relations between CEE and LAC countries have not been particularly intense and have been conditioned by various factors, among which the political convulsions that occurred in both regions and the geopolitical changes that shaped the international system have been of substantial importance. In addition to these changes that affected both regions globally and determined the capabilities and interests of the relevant actors, we can identify other variables which conditioned the relations. In this sense, the economic cycles have been a further determining factor for relations, as they determine the interests of public and private actors in opening up to other regions or, conversely, closing up, although it is true that these decisions are also subject to ideological positioning. A third group of variables is related to migratory movements in different cycles which, in turn, respond to political and economic factors. Finally, the fourth group of variables respond to cultural and cooperational relations, which are also linked to political questions and ties derived from the interaction of diasporas with their countries of origin.

### 2.1) HISTORICAL AND POLITICAL DETERMINANTS

Initial relations, still under the period of colonial domination in Latin America during the 16th and 17th centuries, were based on the importance of concrete figures (Dembicz and Dembicz, 2004) and the participation of monks in Jesuit missions. The first migrations from Central Europe to America were limited to a small core of states – basically Poland, Hungary and Bohemia – since many of today's CEE countries did not have political autonomy at that time. Actual political relations began in the 19th century as Latin American republics began gaining their independence, but especially from the end of the 19th century onwards with the re-emergence of European national states trying to establish themselves against powers such as Prussia, Russia and the Austro-Hungarian Empire. In spite of the weakness of economic ties, the interest shown in securing an international presence by the young LAC republics and the resurrected Central European nations led to the fast establishment of diplomatic relations.

After the break caused by the First World War, in the interwar period (1918–1939) diplomatic representations were established between the leading countries of both regions and cooperation relationships were promoted, especially towards those countries with large cores of diasporas. The German invasion and annexation of the great majority of Central and Eastern European countries led to the breakdown of relations with the countries which allied themselves to Germa-

ny (Hungary, Bulgaria). In the case of invaded countries (like Poland or Czechoslovakia), many Latin American countries formally maintained relations with the governments in exile even once the war had ended.

After the Second World War, the remarking of the international order and the geopolitical distribution positioned the LAC countries in the Western bloc and the CEE countries in the Soviet bloc, to the point where some of them, like the Baltic States, lost their independence. The restoration of relations was slow (between the 50s and the 70s) and circumstances like the Soviet invasion of Hungary in 1956 and later of Czechoslovakia cooled relations. Even so, a wide network of representations of Central and Eastern European countries was maintained in Latin America. The triumph of the Cuban revolution in 1959 brought that country closer to the Soviet orbit and entailed the sympathy of some pro-communist movements in LAC towards Eastern countries.

During this time of the Cold War, there were also links between Latin American communist parties and their counterparts. But the Soviet presence and the perception among parts of the traditional Latin American elites of the growing influence of socialist movements, which came to take power in Chile, made LAC part of the Cold War's stage (Wojna, 2014), between authoritarian governments supported by the USA and guerrillas supported by the Soviet Union. This cooled relations again, until the return to democracy in Latin America coincided with the progressive deterioration and final collapse of the Eastern bloc that also gave way to democratic transition in the CEE countries.

The consolidation of democratic governments in both regions has improved the relationship and has provided a more stable legal framework with the signing of bilateral agreements and diplomatic exchanges, which was to culminate in the incorporation of the EU-LAC legal-institutional and strategic framework. After the birth of new states arising from the dismemberment of the USSR (Estonia, Latvia, Lithuania, Czech Republic, Slovakia, Slovenia) it was necessary to start from scratch and establish diplomatic relations, thus increasing representation links creating new consulates and embassies, even though levels of mutual ignorance were significant. However, relations with Cuba were practically broken off by both parties and CEE governments are still today the most openly critical of the Cuban regime because they identify it with their still recent past. The incorporation of CEE countries into the bi-regional political dialogue from the 2004 Guadalajara Summit onwards represented a qualitative leap towards promoting political relations at the highest level.

## **2.2) ECONOMIC RELATIONS**

Due to the distance and instability of political relations, the framework for economic ties and exchange was not conducive to solid development. At the same time, with both groups of countries traditionally being economies with a large rural and extractive industries component and due to the large geographical distance, the establishment of relevant exchange flows was not triggered until the beginning of the 20th century. Between 1918 and 1939, the CEE countries with greater economic power managed to establish stable economic relations with some large LAC countries (Argentina, Brazil, Mexico). In particular, Czechoslovakia was able to join the

metal mechanical industry; Hungary, which reached a level of 5% of its external trade exporting to LAC, mainly manufacturing, as well as Poland, which established regular maritime links with Brazil and Argentina. In the other direction, trade was mainly in raw materials. The Second World War meant a break that would last for decades as the CEE countries became part of the bloc of state-run economies. A new era of rapprochement arrived in the 50s and 60s when state-driven import substitution policies became extended in LAC in countries like Argentina, Brazil, Colombia, Mexico, Peru and Venezuela. These circumstances and a certain economic boom which allowed production and export subsidies to be maintained promoted increased trade in the 60s and early 70s, leading to the recovery of levels similar to the interwar years.

But added to the above successive political crises was the Latin American external debt crisis of the 80s and the economic collapse which accompanied the fall of the Eastern bloc. This meant a new reverse in economic relations, including the dramatic loss for Cuba of generous USSR funding it had enjoyed, throwing it into the so-called “special period.” There were also Latin American countries left with outstanding debts and they had to wait to collect these (especially Brazil). In the 90s, while LAC was putting into practice the structural adjustment policies forcing it to reduce imports, CEE countries started structural reforms in order to become market economies ready for entry into the EU. This left them with no room to increase relations. Since the beginning of the 21st century both regions have experienced sustained economic growth and increasing openness, allowing economic links to be recovered and expanded. The opening up of CEE markets and their closer ties with the EU was regarded with suspicion in LAC because of the competition these might present for their agricultural products and the diversion of investment because of their cheap workforce. However, with hindsight it does not seem that there has been a significant impact in terms of trade diversion between the EU and LAC. One of the least developed aspects of the relations is mutual investment, which has been scarce and practically monopolised by the large firms over the last decades, as will be discussed later.

### 2.3) MIGRATION

Migratory flows between LAC and CEE countries have been primarily unidirectional from Europe to America and only recently have there been flows in the opposite direction. While during colonial times there were some displacements of Central European citizens to the new continent and there was also a presence of intellectuals and some soldiers in the first struggles for independence and in the first steps of the new republics (Dembicz and Dembicz, 2004), large displacements did not take place until towards the end of the 19th century. The call of the Latin American countries which needed population to occupy vast territories and make them produce, converged with the surplus of fundamentally agricultural workforce in Europe and led to the generation of an emigration flow of Poles, Hungarians, Czechs, Slovaks and Lithuanians, among others, following the same route as other populations from Southern Europe. Many of these migratory flows became concentrated in certain countries and regions forming fairly homogeneous diasporas which maintained their culture and traditions.<sup>5</sup>

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<sup>5</sup> Dembicz and Dembicz (2004) give as examples Poles and Ukrainians in the south of Brazil, Croats and Serbs in Chile and the Argentina-Paraguay border, Slovaks in Buenos Aires, or Hungarians in Sao Paulo.

Some countries, such as Poland, adopted policies to promote migration as a way of relieving social tensions. The increased importance of the diasporas provoked reactions from some Latin American governments, such as the Brazilian government's 1937 and 1938 nationalisation decrees which forced immigrants to renounce their nationality of birth and adopt Brazilian nationality. The outbreak of the First World War gave a new push to the migratory flows escaping the war and persecution shaking Central Europe. But after the Second World War, the Iron Curtain imposed a fierce control that prevented emigration. From then on, displacements were reduced to very limited exchanges largely linked to the relationship with Cuba and political or intellectual pro-communist movements. There was one final wave, although smaller, after the repression of the Hungarian revolts in 1956. Going the other way, there were also exiles from the Chilean, Argentinean, Uruguayan and Brazilian dictatorships, although numbers going to the CEE countries were not high. From 1989 onwards, during the transition process of the CEE countries, these were not an attractive place for the large economic migration flows of Latin Americans who were concentrated in the then emerging countries of South-Western Europe, with which there were already closer links.

## 2.4) CULTURE AND COOPERATION

Cultural and social relations in general have developed especially through the presence of the diasporas. Some of the precedents for contributions by Central European citizens to the development of the new LAC countries can be found in professionals, engineers and soldiers who helped to modernise mining industry infrastructure (Dembicz and Dembic, 2004). During the interwar period, the economic boom that led to the increase in all types of relations meant a promotion of relations with the diasporas, but the Second World War and the dynamic of the Cold War made continuity more difficult. The exception was Cuba, with which contacts multiplied through the exchange of experts and students between socialist countries which gave rise to an increase of knowledge on Latin America and the creation of Latin American Studies centres or departments in Central and Eastern Europe. Among these Literary and Hispanic Studies stand out, which had new life breathed into them with the Latin American literary "boom" which popularised the reading of Latin American authors (Dembicz and Dembic, 2004).

In Latin America, the presence of intellectual figures from CEE countries or with origins there is noticeable. During the existence of the Soviet bloc, leading intellectuals sympathetic to the socialist movements established links with their Central European counterparts, but with political limitations imposed by the authoritarian regimes. With the democratic transitions, the creation of associations and cultural activity of the diasporas in Latin America resurfaced and contacts were restored between the countries of origin and destination, notably the Polish and Hungarian communities. This resurrected the study of languages and the displacement of young students and researchers, facilitating the launch of joint projects (Anderle, Fisher and Lilón, 2010). The shared Catholic religion has also been a factor in the rapprochement, particularly during the time of a Pope of Polish nationality, John Paul II, who visited much of Latin America and contacted the Polish communities. As a result, today there is a more diverse network of personal and institutional interaction helping to reduce the still significant lack of mutual understanding among large parts of the population in both regions, where stereotypical and simplistic visions still prevail.

# 3 EVOLUTION OF ECONOMIC EXCHANGE BETWEEN THE CEE COUNTRIES AND LAC

Economic relations between the CEE countries and LAC, which had been consolidated in the time of the bloc of state-run economies, broke down with the collapse of the system in the last decade of the 20th century. Over the last decade, both regions went through a restructuring process of their economies. For Central and Eastern Europe this meant an economic reconversion from socialist structures to capitalist structures and the adoption of a new regulatory framework that would prepare them for entry into the EU. The efforts directed at this integration into Europe made the CEE countries, many of which were newly independent republics, relegate their relationship with areas as far away as LAC to a second level.

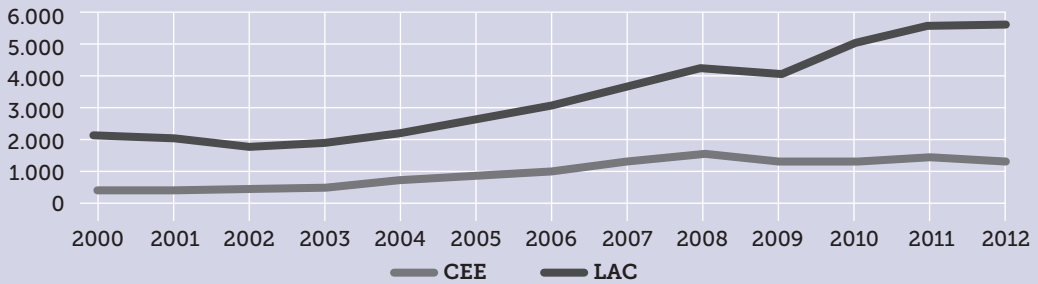
The situation for LAC in the 90s was not very encouraging either, with economies still being propped up because of the consequences of the external debt crisis that had blown up in the previous decade and led to the application of structural adjustment plans which shrank growth. However, at the beginning of the 20th century there was a turning point leading both regions to rejoin the path towards growth. As can be seen in Figure 1, the entry of the CEE countries into the EU gave a real boost to GDP growth until 2008 when the economic crisis caused a slight fall followed by an initially fairly rapid recovery prior to stabilisation.

In contrast, GDP growth in Latin America over the last decade has been slower but sustained and the effects of the crisis were barely noticeable in some countries, while in others, such as Mexico, it recovered quickly despite a strong initial downturn. However, the gap in terms of GDP between LAC and CEE countries has widened considerably over the last decade.

If we look at per capita GDP, displayed in Figure 2, the growth tendency is similar to that of GDP. Both regions experienced growth until 2008, but the impact of the crisis was much greater in the CEE countries. It is because of this that the large gap that had opened up has closed a little over the last few years. Again, this average hides the large differences within Latin America, which in general consists of middle-income countries with GDPs that in some cases equal those of several CEE countries, as can be seen in the following graphs.

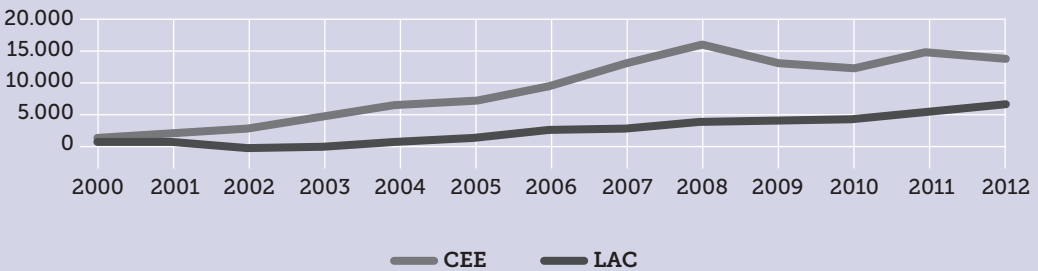
It can thus be said that both regions have had an emerging tendency in economic terms and have shown a greater resilience to the crisis than the more advanced economies. Paradoxically,

Figure 1: Evolution of regional GDP in billions of dollars (2000-2012 period)



Own graph (Source: World Bank Databank)

Figure 2: Evolution of per capita GDP in dollars (2000-2012 period)



Own graph (Source: World Bank Databank)

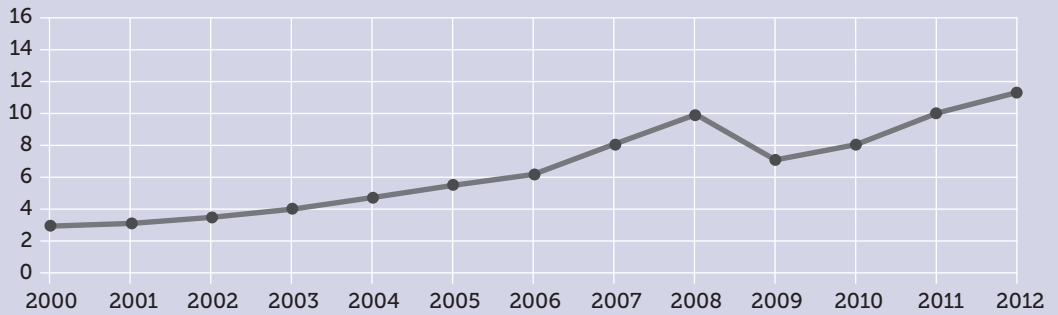
the crisis in Europe and the United States has resulted in a greater interest in diversifying exports, particularly among CEE countries, but also in LAC. This has been reflected in an increase in initiatives promoting exchange between both regions.

### 3.1) EVOLUTION OF TRADE

The warning should firstly be given that trade between LAC and the CEE countries has a very low relative importance with respect to world trade, but it has multiplied in the last decade. Total trade has experienced solid growth over the last 12 years, with the exception of a drop because of the 2009 crisis which was quickly recovered. Global figures show that in 2000 inter-regional trade was close to 2,900 million dollars, while in 2012 that figure was almost five times higher, reaching 13,620 million dollars. As can be seen in Figure 3, the trend is clearly upward.

As previously mentioned, it is important to remember that both regions contain countries with very diverse economies, both in size and in terms of levels of production, development, productive structures, and sectors. While there are some common features, there are notable differences that on some parameters could be described as extreme. In LAC at first sight the importance of Brazil emerges, with a GDP representing almost 35% of the Latin American total. Mexico also stands out, possessing an export pattern that differs greatly from the rest of Latin America. We could add Argentina and Chile to this “club”, followed closely by Colombia and Peru.

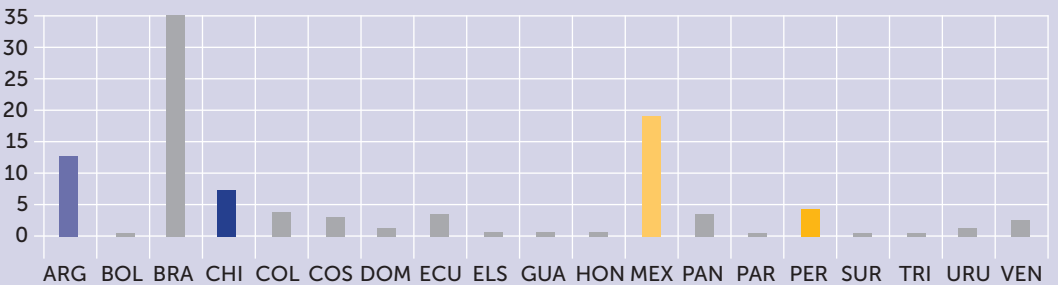
**Figure 3: Evolution of total trade (2000-2012)**



Own graph (Source: UNCOMTRADE)

As for the CEE countries, it is possible to establish a top tier including, because of their GDP, Poland, a second tier made up of the Czech Republic, Romania, Hungary and Slovakia, followed by the rest of the countries in a third tier. However, there would be several changes of position in the ranking if we took per capita GDP as a reference point.<sup>6</sup> Trade between member countries of one region with the other are visualised in Figures 4 and 5.

**Figure 4: Total LAC-CEE trade in billions of dollars (2000-2012)**



Own graph (Source: UNCOMTRADE)

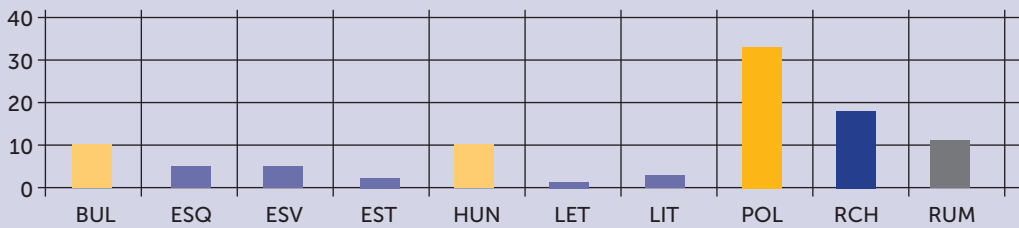
In terms of mutual exchange, in other words, each country from one region with the other, those with a higher GDP are clearly ahead. In both cases we see one absolute leader (Brazil and Poland) followed by two other members. It is worth noticing that by chance the proportion of the second and third countries with regard to Brazil and Poland is similar over the period of 12 years; in the case of Brazil's total, Mexico makes up 56% and Argentina 35%. Similarly for Poland, the Czech Republic makes up 53% and Romania 35%.

As mentioned in the introductory chapter, trade relations between both regions have gone through a series of stages dependent on different factors that have shaped their current state. In the immediate past, when the Soviet Union and Yugoslavia appeared on the map, relations

<sup>6</sup> The ranking would be as follows: Slovenia, Czech Republic, Slovakia, Estonia, Hungary, Latvia, Poland, Lithuania, Romania and Bulgaria. (See Table 1)



Figure 5: Total CEE-LAC trade in billions of dollars (2000-2012)



Own graph (Source: UNCOMTRADE)

with Latin America were based on the considerable export weight of the state companies in the industrial sector towards Latin America. Added to this, they had an important diplomatic presence in the whole American sub-continent, which allowed more direct ties to be promoted.

From 1990 onwards the economies of Central and Eastern Europe in general were drastically modified to adopt the free market model. The “Shock Doctrine” implemented in those countries led to a change in direction both at an internal level and at an external projection level. They received help and investment from the West in order to be able to carry out the necessary internal reforms, including an industrial reconversion. On the road that would lead to their accession to the European Union in 2004/7, Latin America would not be a priority.

On Latin America’s side, the 90s were characterised by the application of policies derived from what was known as the “Washington Consensus”, which also meant a liberalisation of national economies. These were accompanied by a new drive towards regional integration and a new focus of international insertion strategies following the pathway suggested by ECLAC’s theories of open regionalism. The aim was to gain autonomy and negotiating power vis-à-vis other regions, to improve LAC participation in the increasingly globalised international market, and to diversify external relations. This rebirth of Latin American regional integration became one of the great axes of inter-regional cooperation between the EU and LAC. The EU adopted a role of “external federator” (Sanahuja, 2013) of the regional integration processes, which translated into help for the consolidation of institutions and free trade areas, as well as the push for the network of Association Agreements which are analysed in the next section and which performed with varying degrees of success.

After the start of the new millennium, the CEE countries all continued along the road towards becoming part of the EU, which generated an almost continuous increase in GDP, productivity and external trade. Belonging to an internal market as powerful as the EU led the Central and Eastern European countries to concentrate on ties with their neighbours, leaving slightly to one side their external relationships beyond the borders of Europe.

In LAC, countries have pursued different paths. Some have decided to continue with the open market model present in the 90s, while in others left-wing governments have set out a different

economic model. We find countries that have adopted a model of complete openness, as in the case of Chile and Mexico, with numerous free trade agreements. This path of openness has been followed afterwards by countries such as Colombia and Peru, and would then lead them to form the Pacific Alliance initiative that Costa Rica and Panama are now also approaching. In general, the Caribbean and Central American countries have remained in the orbit of the USA through free trade agreements (the exception is Cuba, which maintains a state-run economy). Another group has tried to follow path with different outlooks, but generally keeping to a policy more reticent to openness. This group includes the Mercosur countries, Bolivia, and Ecuador, which, thanks to the generalised increase in the price of agricultural and mining commodities, have recorded sustained levels of growth over the last decade. However, the economic model, although not identical in all of them, has suffered setbacks in some countries, with symptoms of extreme inflation.

The European market was seriously affected by the financial crisis of 2008. Latin America, on the other hand, was little affected at first by the crisis, and generally continued (with occasional ups and downs) along the path to growth.<sup>7</sup> These two situations coming together led the CEE countries to look for new horizons outside Europe to offset the contraction of the European market, including Latin America. This hypothesis was corroborated by specialist trade relations staff in the Chilean Foreign Ministry who stated that “the crisis generated a positive externality. Before the crisis countries were negotiating intra-EU. With the crisis, they started to go out, they had to find new markets. The CEE countries were comfortable with their neighbouring market, and now they have noticed that they need to diversify markets. There is a before and after the crisis.” This vision is shared almost unanimously by the 30 people interviewed for the project.

In spite of this renewed interest, for Latin America the CEE countries do not constitute a priority market, and vice versa. As a statistic, for example, only 1.03% of Brazil’s total trade in 2000-2012 was carried out with CEE countries. In the case of Mexico,<sup>8</sup> of the 8.2% of its total trade with the EU in 2012, less than 10% was with CEE countries, with just Hungary accounting for a third of this. Elsewhere, Poland, the main exporter to LAC in 200-2012, only carried out 1.08% of its total trade with LAC.

In terms of the exchange structure, we must highlight the fact that they follow the classic pattern of European-Latin American exchange. That is, raw materials exports, agricultural or mining products and some manufacturing with little value added from LAC to Europe; and going the other way manufactured goods, generally with high added value. This trend is the common denominator for inter-regional exchange, but there are some exceptions to this rule. The paradigmatic and most notable case is Mexico, which moves completely away from this pattern and fundamentally exports car parts, electrical components, metal mechanical parts and light manufacturing in general, electronics and ICT, as well as some processed foods and alcoholic drinks (tequila, mezcal and beer).

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<sup>7</sup> In the case of Mexico and the Caribbean, the crisis had a greater effect, given the close relationship with the US economy.

<sup>8</sup> Source: Eurostat/DEVCO.

In the case of Brazil, while it generally follows the traditional exchange pattern, it does offer occasional exceptions. For example, the great development of Embraer (Empresa Brasileira de Aeronáutica, Brazilian Aeronautical Company) has led this “multi-Latina” company to become the third biggest aeronautical company in the world, and it has managed to place a large number of its products in CEE countries. On this subject, it is worth highlighting the Polish airline LOT, which has renewed the majority of its fleet mostly with Brazilian planes. Embraer has also signed technology cooperation agreements with the Czech company Aero Vodochody for the development and production of a military transport plane. There are other examples in the manufacturing and export of components and auto parts sector, which enter in value chains destined for the final sale of the finished car and which are examined in a later section.

The Central and Eastern European countries are similar regarding the composition of their GDP and the active population dedicated to each productive sector. Bearing in mind these three basic sectors of the economy, we can determine some common features.

<b>Table 1: GDP composition (%)</b>				
Country	Agricultural sector	Industrial sector	Service sector	GDP per capita 2012
Bulgaria	6,7 (7,1)	33 (35,2)	62 (57)	6.978
Slovakia	3,1 (7,1)	30,8 (27)	67 (69,4)	16.847
Slovenia	2,8 (2,2)	28,9 (35)	68,3 (62,8)	22.000
Estonia	3,9 (4,2)	30 (20,2)	66,1 (75,6)	16.717
Hungary	3,4 (7,1)	28 (29,7)	68 (63,2)	12.531
Latvia	4,9 (8,8)	25,7 (24)	69,4 (67,2)	14.008
Poland	4,3 (12,9)	33,4 (30,2)	62,3 (57)	12.708
Czech Republic	2,2 (3,1)	39,6 (38,6)	58,2 (58,3)	18.683
Romania	10,8 (31,6)	37,4 (22,1)	51,8 (47,3)	9.036
<b>Average</b>	<b>4,5 (10,1)</b>	<b>31,5 (29,7)</b>	<b>64,1 (63,1)</b>	<b>14.369</b>

Source: CIA World Factbook and World Bank DataBank<sup>9</sup>

With the exception of Bulgaria and Romania, which are countries with lower GDP per capita, the other countries do not even reach 5% of GDP coming from the agricultural sector. The average share of this sector of GDP is 4.5% and 10% of the active population (bearing in mind the distortion Romania creates). However, compared to the rest of the European Union, the CEE countries continue to have a larger agricultural component than the average. However, it is far lower than those shown by for example Argentina (9.3%), Peru (6.2%) or Brazil (5.5%).

The entry of the CEE countries into the European Union in 2004/7 created a level of uncertainty among Latin American agricultural exporters since, added to the protectionist policy of Europe through the CAP (Common Agricultural Policy), 10 countries were joining with an agricultural

<sup>9</sup> The data corresponds to 2010, 2011 and 2012 equally. The idea of this table is to give a general idea of the composition and importance of each sector, not to analyse precise data.

potential which could endanger continued trade flows in this sector from LAC countries. Experience has shown that these fears were largely unfounded.

While in theory it could be said that there is competition between CEE and LAC countries in the agricultural sector, regarding the Western European market, this is not so clear when the composition of flows is observed. The main agricultural products Latin America sends to Europe are products with a low (or reasonable) import duty, whether fixed or seasonal, and which are generally not available – or not at the same price – in the European market: sugar cane, bananas, tropical fruit, cocoa beans, soya (and derivatives), coffee beans, beef, farm animals, leather.

As for the CEE countries, the composition of the most important agricultural products is different. In general they produce and export products like potatoes, eggs, maize, pork and – in some cases – dairy products. One of the agricultural products that might create competition between both regions (more specifically between South American countries and countries such as Poland) is wheat. Intra-EU trade is done freely – and with the protection of the CAP – while the entry of wheat from Latin America faces tax and customs difficulties that increase the final cost.

Mining is a very important sector in LAC (mainly in South America) as well as in CEE countries. Chile is the leading copper producer in the world, Mexico the leading silver producer and Peru the second, Bolivia has large deposits of lead, zinc, antimony, cadmium and gold. Brazil is the world's third biggest producer of manganese. Only in 2012, of the US\$ 21.5 billion going into mining around the world, US\$5.4 billion (25%) went to Latin America. Currently, as a result of those investments, the region's potential for this activity can be seen through its mineral reserves. Latin America currently has 48% of the world's copper reserves, 56% of silver reserves, over 60% of lithium, 22% of gold and a significant, as of yet undefined portion of the world's potassium reserves.<sup>10</sup>

In Central and Eastern Europe there are some mineral reserves, for example coal, which in the case of Poland is one of its biggest natural resources and has placed it among the three most important producers. It is also interesting to note that one in every nine machines actively used in mining around the world is of Polish origin, with its main export markets for mining machinery and equipment being the USA, India and South America. Poland is also home to the world's largest company producing silver (KGHM Polska Miedz).<sup>11</sup>

Given the geographic distance, one of the main obstacles to the development of exchange is the lack of transport infrastructures. Taking into account that maritime trade represents over 90% of total world trade, the large shipping companies which go from Latin America to Europe (and vice versa) have a series of established and fixed routes and ports based on their own costs and profits. In general the large cargo ships coming to Europe from Latin America arrive at

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<sup>10</sup> <http://www.abeceb.com/web/content/show/668237/latinoamerica-tiene-el-mayor-ptoencial-minero-del-mundo-pero-cada-pais-lo-aprovecha-diferente>

<sup>11</sup> Publication of the Department for the Promotion of Trade and Investment of the Polish Embassy in Buenos Aires.

ports such as Hamburg, Rotterdam or Antwerp, and do not moor in Riga, Tallinn or Koper. From those large centres goods are distributed to the CEE countries, so transport by road – or rail at best – increases the price of the final product.

It is very common for intermediaries to exist who, according to the interviewees, tend to be large Dutch or German companies dedicated to the export and distribution of products in the Eastern markets and who fix the prices. On the one hand this benefits both parties given the greater knowledge these intermediaries have of the region, but it also generates more costs than direct exchange would.

Additionally, the collection of statistical data represents a considerable problem. From the interviews, we have been able to conclude that when exchanges are not direct the statistics often end up not reflecting the real trade. That is to say - by way of an example – it was suggested<sup>12</sup> that Argentina did not export lemons to Hungary, but in the Hungarian market they are very commonly found.

Going the other way, export sectors in the CEE countries have pointed to the bureaucratic difficulties they face when wanting to set up or carry out exchange with some LAC countries. Added to this is the lack of internal connectivity, infrastructure and adequate transport routes between Latin American countries, which make the transfer of goods arriving in ports more difficult. Vieira Posada (2013) rightly points out that “overcoming obstacles at the borders in the immensity of space in South America is a sine qua non condition for achieving integration from the regions and recovering the delay in consolidating transborder integration projects.” Additional obstacles include the different legislations, strictly intra-regional commercial obstacles, in some cases the double customs tax or the non-tariff barriers, and/or merely bureaucratic delays.

We have highlighted in the last point the significant dependence of the Latin American export market on the activity of large companies. Generally, SMEs are of secondary importance when it comes to exports, and the road towards internationalisation is very difficult for them. The network of small and medium-sized enterprises is much weaker in Latin America than in the European Union, which also represents a problem as it restricts the chance of exchange to large transnational companies in the majority of cases.

A final, but no less important, difficulty for Latin American exports is the European Union’s CAP. While it is true that it mainly affects South American countries – fundamentally Brazil and Argentina<sup>13</sup> – it is an obstacle that extends to a greater or lesser degree to all LAC countries, even those which have Agreements with the EU, such as Chile for example. This country signed its Association Agreement in 2002, but this is now out of date and this creates some difficulties for Chilean exporters. Olive oil is a case in point: its entry into the EU is under a low quota and a de-

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<sup>12</sup> Meeting of Ambassadors in the IWE on 27 January 2014.

<sup>13</sup> The non-conclusion of an EU-Mercosur Agreement lies – to a large extent – in the lack of agreement on this question.

regulation regime (within the tariff quota) at 10 years. The norms and quality standards required for entry into the European market are also more rigorous than for other markets.

While the CEE countries do not encounter difficulties in agricultural exchange, they do sometimes hit obstacles in their trade in industrial products: because they are generally more competitive than their Latin American equivalents, they would generate enormous losses to local producers, which the governments try to alleviate through entry barriers. A clear example of this situation is the case of finished cars.

It is again worth noting that the 2008/9 crisis, while affecting inter-regional trade, was also a stimulus for the search of new markets to introduce products or to invest. On this subject, both variables (trade and investment) are intimately related, which we will examine after carrying out an analysis of the evolution of investments.

### **3.2) EVOLUTION OF INVESTMENTS**

If we have started by showing the low level of trade between both regions, the level of mutual investment is even lower. We are referring here exclusively to the Foreign Direct Investment (FDI), which establishes more stable links and not to another type of more volatile flows. At global level LAC can be said to have received a considerably greater proportion of Foreign Direct Investment flows compared to CEE countries. The following table shows the percentage of investment received by each country with respect to the total of world FDI flows.

In 2012, for the first time in history, the developing economies received more FDI than the developed countries (UNCTAD, World Investment Report 2013). Among the top twenty countries receiving investments, we find three from South America: Brazil (4th), Chile (11th) and Colombia (18th). At the same time, in the ranking of investing countries (2012), only Mexico (15th) and Chile (17th) are present. In both cases, there are no CEE countries in the lists, which confirms what was said in the previous paragraph.

However, there are cases of FDI from Latin America to Central and Eastern Europe, and vice versa. Mexico is without doubt the country that invests most in CEE. Since 2005, it has had a subsidiary of CEMEX (construction) in Hungary with 800 employees and agencies in Poland, Latvia, and the Czech Republic. Another large Mexican investment was the firm NEMAK, which is the world leader in the production of aluminium injections, with plants in Slovakia, Czech Republic, Poland, and Hungary. KATCON (car parts) has set up a subsidiary in Poland, and SEISA (devices for medical use) has a series of investments in Slovakia.

InBev (beer) and Sabó (auto parts) stand out as big Brazilian investments in Hungary, which join several agencies representing other firms such as JBS, Votorantim, BG Market and Gerdau, among others. In 2012 Stefanini, a Brazilian technology company, entered the Polish market, setting up offices in Krakow. In Slovakia there is a subsidiary of the Brazilian company Embraco (hermetic compressors), which currently has nearly 2500 workers, exporting to all of Europe and the USA. In the same country, CRW Plásticos and Micro Juntas are also established.

**Table 2a: Investments received over the world total (%)**

Country / Year	2010	2011	2012
Argentina	0,557	0,598	0,929
Bolivia	0,046	0,046	0,078
Brazil	3,444	4,036	4,832
Chile	1,091	1,388	2,245
Colombia	0,480	0,814	1,171
Costa Rica	0,104	0,131	0,168
Dominican Rep.	0,135	0,138	0,267
Ecuador	0,012	0,039	0,043
El Salvador	0,008	0,023	0,038
Guatemala	0,057	0,062	0,089
Honduras	0,069	0,061	0,078
Mexico	1,517	1,302	0,937
Panama	0,168	0,167	0,224
Paraguay	0,016	0,013	0,024
Peru	0,600	0,498	0,906
Surinam	-0,018	0,004	0,005
Trinidad	0,039	0,111	0,187
Uruguay	0,163	0,152	0,201
Venezuela	0,131	0,229	0,238
<b>Total ALC</b>	<b>8,619</b>	<b>9,819</b>	<b>12,660</b>

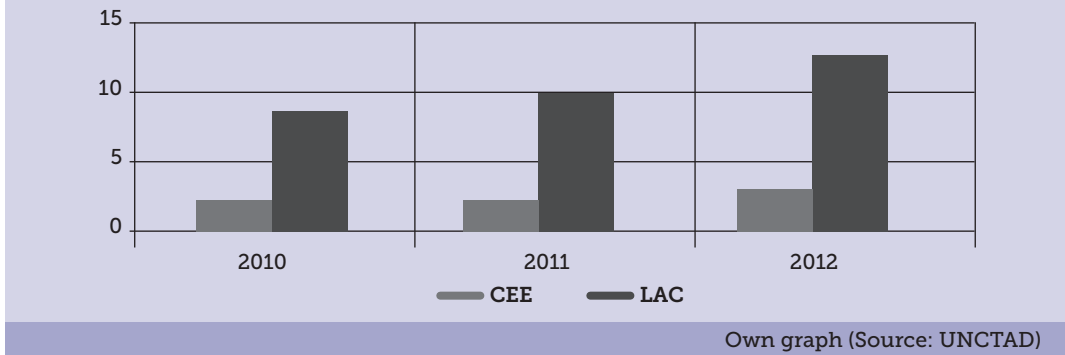
Own table (Source: UNCTAD)

**Table 2b: CEE investments received (percentage of world total)**

País / Año	2010	2011	2012
Bulgaria	0,108	0,111	0,141
Czech Rep.	0,436	0,140	0,784
Estonia	0,114	0,016	0,109
Hungary	0,154	0,349	0,997
Latvia	0,027	0,089	0,073
Lithuania	0,057	0,088	0,062
Poland	0,985	1,145	0,248
Rumania	0,209	0,153	0,166
Slovakia	0,126	0,130	0,209
Slovenia	0,025	0,061	0,011
<b>Total ECO</b>	<b>2,240</b>	<b>2,280</b>	<b>2,800</b>

Own table (Source: UNCTAD)

Figure 6: Investments received (percentage of world total)



Going the other way, in Brazil there is the Polish company Selena (Selena Sudamericana) belonging to the chemical sector, which has a production and distribution centre in the city of Ponta Grossa – Paraná – and the company LUG (electric/lighting sector), which opened its Brazil headquarters in the city of São Paulo in April 2013. Also of note in Brazil is the Hungarian pharmaceutical firm Richter Gedeon, which at the end of 2013 acquired 51% of Next Pharma Representação, and soon the company will be called Gedeon Richter do Brasil. This company followed a similar route when setting up in Mexico: it acquired 70% of shares in DNA Pharmaceuticals, and it will also later be renamed Gedeon Richter México. We might also mention other examples of important Eastern European companies with different investments in Latin America, such as Polaritas GM (Hungary), Astra Asigurari (Romania), Wolf Group – Krimelte – (Estonia), Hidria Perles (Slovenia) or the aforementioned KGHM Polska Miedź (Poland), which in 2012 invested 3 billion dollars in Chile.

The exploitation of natural resources in South America is undoubtedly a sector that draws a lot of attention from the CEE countries. We have seen as the clearest example the multimillion-dollar investment of Polish company KGHM Polska Miedź in Chile.

It is important to mention that while the companies that have set up in either region are very diverse, in general the sectors are not so much. In both regions, mutual investments focus fundamentally on the automotive sector, primary products and the exploitation of mineral resources. Also of note are some technology and software-based companies.

In general terms, it can be shown that mutual investment is in an exploratory phase and has enormous potential for growth and development. Trade and investment are closely related, as we will see later, and it is here that LAC and CEE countries may find production niches of benefit to both regions. Sectors like mining or auto parts and car production are those which a priori seem the most relevant, although the pharmaceutical sector has been highlighted by several people we interviewed as a sector with extraordinary mid-term potential.

The concrete cases of investment discussed here have basically occurred in the last decade, and more specifically in the last 5-6 years, showing that the trend is on the rise, albeit still very



**Table 3: Investing companies from CEE/LAC in LAC/CEE**

Name	Sector	Origin	Establishment	Year
Hidria Perles	Tools	Slovenia	Ecuador	1975
Sabó	Autoparts	Brazil	Hungary	1997
Embraco	Autoparts	Brazil	Slovakia	1999
Hidria Perles	Tools	Slovenia	Colombia	2002
Nemak	Autoparts	Mexico	Czech Rep.*	2003
Selena	Chemicals	Poland	Brazil	2004
Cemex	Construction	Mexico	Hungary	2005
Seisa	Medicine	Mexico	Slovakia	2006
InBev	Food	Brazil	Hungary	2006
Neoris (Cemex)	Software	Mexico	Hungary	2006
Katcom	Autoparts	Mexico	Poland	2009
FM Group	Cosmetics	Poland	Brazil	2010
Stefanini	Technology	Brazil	Poland	2012
KGHM Polska Miedz	Mining	Poland	Chile	2012
Richter Gedeon	Pharmaceutical	Hungary	Brazil / Mexico	2013
WolfGroup (Krimelte)	Construction (Chemicals)	Estonia	Brazil	2013
LUG	Electricity / Lighting	Poland	Brazil	2013

Own table (Source: corporate websites) /\*Also has establishments in Hungary / Slovakia / Poland

much concentrated in one group of countries and overly sectorised. Table 3 shows a non-exhaustive chronological list of a series of important mutual investments.

With respect to Foreign Direct Investments between CEE and LAC countries three large business types can be identified (Elteto, 2014): The big multinationals,<sup>14</sup> which make their investments based on the fragmentation of production in Global Value Chains (GVC) seeking to maximise their competitiveness depending on comparative advantage; large companies establishing national or regional headquarters to win markets saving the costs of customs tariffs and other non-tariff barriers; and thirdly, a more heterogeneous group of small and medium-sized enterprises which are either seeking internationalisation in order to grow in one particular market niche, or following other big forms as suppliers.

The first two types currently take precedence in relations since this type of companies has greater autonomy in their strategies and study departments to develop them. Their decisions

<sup>14</sup> In the case of investing companies from LAC it can be observed that these are big multinationals, known as "Multilatinas." On this subject, Lourdes Casanova's findings are worth mentioning (Casanova, L. 2009. "Global Latinas. Emerging Multinationals from Latin America." Palgrave Macmillan)

are taken based on well-established parameters assessing all type of costs, regulatory frameworks, legal security and potential markets among others, such as those taken into account to create the Doing Business ranking. The following table shows the great disparity of situations among the countries of both regions. It is worth noting that the first four LAC countries on the list are current members of the Pacific Alliance, and the fifth (Panama) is an observer country and candidate to become a full member.

**Table 4: "Doing Business 2014" Ranking (2013 data)**

Position	Country	Position	Country	Position	Country
17	Lithuania	54	Hungary	116	Brazil
22	Estonia	55	Panama	117	Dominican Rep.
24	Latvia	58	Bulgaria	118	El Salvador
33	Slovenia	66	Trinidad	126	Argentina
34	Chile	73	Rumania	127	Honduras
42	Peru	75	Czech Rep.	135	Ecuador
43	Colombia	79	Guatemala	161	Surinam
45	Poland	88	Uruguay	162	Bolivia
49	Slovakia	102	Costa Rica	181	Venezuela
53	Mexico	109	Paraguay		

Own table (Source: "Doing Business 2014 Report")

Another motivating factor for investing that can be clearly seen in the investments between the CEE and LAC is the exploitation of strategic natural resources for a certain industry. As mentioned, this is a fundamental factor for the location of investments in countries rich in resources like the majority of LAC countries.

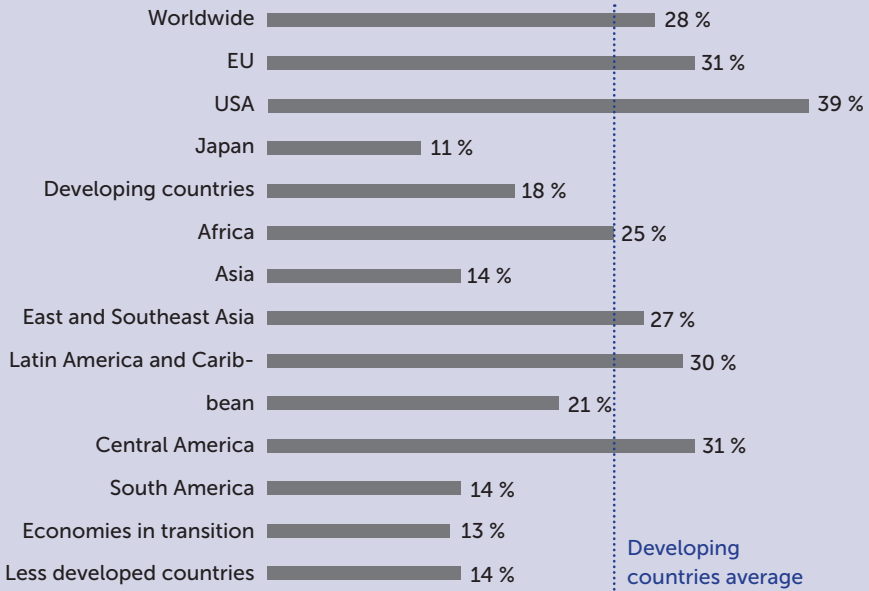
As for small and medium-sized enterprises, to invest in little known markets as well as support they require promotion and protection policies, either on the part of governments, or on the part of the EU, which are currently insufficiently developed and will be analysed in later chapters.

### 3.3) GLOBAL VALUE CHAINS

Today, around 60% of world trade revolves around intermediate goods and services that are incorporated at different stages of the productive process. The fragmentation of the production process and the international dispersion of tasks and activities have led to the emergence of global production systems.

In turn, a very significant part of trade, especially in raw materials or natural resources, is driven by large cross-border investment by extractive industries operating at global level through international firms. The search of foreign markets by these companies through FDI also generates trade, generally replacing trade carried out in competitive conditions for intra-firm trade. Because of this, international trade and investment are very much linked through these production

**Figure 7: Participation of the foreign added value in exports (per region - 2010)**



Source: UNCTAD, 2013

networks. These value chains, be they intra-company, regional or global, are known as Global Value Chains (GVC) (Ferrando, 2013).

These GVCs are generally coordinated by transnational corporations, which look for greater efficiency in their productive system, and it could be said today that the majority of products and services are “Made in World” (Ferrando, 2013).

The geographic fragmentation of the production process constitutes one of the most significant transformations of the international economy in recent decades. The dazzling advances in technology and telecommunications, added to the reduction in freight costs and a generalised transition towards the liberalisation of trade and investment, are a strong incentive for the geographic segmentation of productive processes (World Economic Forum, 2012).

The possibility of companies integrating into a GVC through specialisation and competitiveness in a specific activity and not necessarily in the whole production chain has opened up endless opportunities for developing and middle-income countries like the LAC and also most of the new EU members (CEE) (Lanz, 2011; Szalavetz, 2013). However, over 70% of GDP in Latin America is produced by large companies, while in the developed economies of the OECD, the contribution of large companies to GDP is only 40%. When it comes to internationalisation, the situation of the Latin American SMEs is even less favourable, as their direct or indirect links with international markets through exports are scarce. These weak connections between Latin American SMEs and the national and international value chains explain, to a large extent, the low levels of workforce productivity (Avendaño, 2013).

Still, within Latin America the differences in terms of the position of companies within a GVC are important. While in South America, given the lower added value on exports, companies position themselves more as raw materials suppliers than generators of added value, in Central America the trend is different, particularly because of the specific importance of Mexico. This is also shown by the previously cited UNCTAD report, which states that the biggest foreign added value contribution in trade is in Central America, East Asia and South-East Asia, where processing industries make up a significant part of exports. Foreign added value in exports is much lower in Africa and South America where exports of natural resources and commodities with limited incorporation of imported consumables play an important role (Ferrando, 2013).

In the concrete case of relations between Latin America and the CEE countries, a series of isolated examples reflect the existence of GVCs involving companies from both regions for the production and/or commercialisation of a certain final product. The most relevant of these concern the production and sales of auto parts and finished cars, as is the case of Volkswagen, a case study of which features in one of the project papers that forms part of the on-line Annexes to this project (Tury, 2014).

The Volkswagen group is the world's third biggest automotive company in terms of production and has plants both in Latin America (Argentina, Brazil and Mexico) and in CEE countries (Poland, Hungary, Czech Republic and Slovakia). Audi AG belongs to the Volkswagen group and has one of the biggest plants in terms of development, production and sales of finished engines in the city of Győr (Hungary). In the last decade it has significantly expanded production and had a close commercial relationship – intra-firm – with Volkswagen do Brasil, Volkswagen de México, and Volkswagen Argentina. However, today it has strengthened its relationship – in LAC – almost purely and exclusively with the Mexico subsidiary, given the geographic proximity of the US market. The Mexican headquarters also send semi-finished engines to the Hungarian subsidiary.

It is worth highlighting that not all subsidiaries always fulfil the same role in the GVC, depending on the specific model of vehicle being produced. Bearing in mind that the Győr subsidiary (Audi Hungaria) is an important post for technological development, there is also currently cooperation in that area with the Latin American subsidiaries, which is still carried out under the coordination of Volkswagen AG.

A similar case is that of the automotive company Renault. Its Slovenian subsidiary exports a series of models to France, where they are finished and then exported to subsidiaries in Latin America, going down in the final count as trade between France and the Latin American country in question.

The importance of GVCs is in their ability to mobilise large investments, but especially in their capacity to promote the transfer of cutting-edge technology and in breathing new life into the local economic fabric. From the case study and the surveys carried out it becomes clear that, when determining their location, investments related to GVCs take great care of factors such

as import and export tariffs and other barriers, such as rules on the percentage of origin of national components of a product, hence the importance of free trade agreements. For example, Mexico's signing of the North American Free Trade Agreement in 1994 and the Association Agreement with the EU in 1997 had a "triangulation" effect of investment and trade attracting big European firms to invest in Mexico as a platform for entry into the North American market (Bacaria and Osorio, 2013), even though they were basically multinational companies coming from Western Europe.

# 4 LEGAL-INSTITUTIONAL FRAMEWORK OF RELATIONS WITH THE EU

The accession of the CEE countries to the EU meant a complete turnaround in the strategic and legal-institutional framework of their relations with the LAC countries. From having a bilateral and generally weak relationship (apart from the big countries), there was a shift to the bi-regional Strategic Partnership framework that had developed over several decades and was institutionalised after the 1999 Rio Summit. This partnership consists of three pillars: political dialogue; the network of agreements through which preferential trade areas of different degrees of openness have been established; and thirdly the regional and bilateral development programmes. The CEE countries had to adapt their policies to that previously established framework.

## 4.1) POLITICAL DIALOGUE

As shown in some case studies and in several interviews, the inclusion in the political dialogue of the EU-LAC Summits<sup>15</sup> meant incorporating a previously inexistent consultation mechanism. On the one hand, the Summits allow for direct contact between leaders, contributing to the reduction of the high levels of mutual ignorance that exist between the two groups of countries. But it is also true that participation in the debates on cooperation priorities and strategies and in the negotiations of agreements has contributed to the generation of own bilateral policies<sup>16</sup> between the LAC and CEE countries in a process that has been qualified as the Europeanisation of foreign policy (Ruano, 2013).

In the majority of cases the CEE countries, as recent arrivals, are more “policy-takers” than “policy-makers” in questions related to LAC, but there are subjects where they take more assertive positions, which clearly happens in the case of relations with Cuba. In general, interviewees from both CEE and LAC have a positive view of contacts through the Summits and the positive role they have played in the improvement of relations, above and beyond any assessment made of the practical importance these meetings may have.

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<sup>15</sup> Since the 2013 Summit in Santiago de Chile, the Summits are held between the EU and the Community of Latin American and Caribbean States (CELAC).

<sup>16</sup> For example, this is the case mentioned in the case study on Poland (Brudzinska and Rostowska, 2014), and is also mentioned regarding Hungary in the paper by Meisel (2014).

It is still too early to assess the effect of the creation of CELAC and the setting up of the European External Action Service on relations, but they should contribute to the strengthening of relations, as CEE countries with a reduced network of diplomatic representations will be able to make use of European representations as a platform for their external action and promotion. The coordination tasks the European representations have been assigned should serve to achieve better knowledge and use of the regional cooperation programmes. For the moment, a first positive step has been the full incorporation of the Santiago Action Plan's agenda agreed at the 2003 Summit<sup>17</sup> into the talks on implementing the 2014-2020 Action programmes, which should not only contribute to improving coordination, but also particularly to a greater ownership of these programmes by all participants.

As well as general political dialogue, other inter-regional dialogues of sectorial nature have emerged, such as the dialogues on drugs, migration, social cohesion and the environment.<sup>18</sup> At the institutional level, the interparliamentary meetings provided a qualitative leap with the creation of the Euro-Latin American Parliamentary Assembly (EuroLat) in 2006. Mention should also be made of the meetings and dialogues between non-state or community actors, such as entrepreneurs and social organisations acting in parallel.<sup>19</sup> The creation of the EU-LAC Foundation, whose objective it is to strengthen links between citizens and civil organisations in LAC and Europe, provides an inter-regional institution for social dialogue and can contribute to bringing policies closer to the social actors they directly affect and involving them in the Summit dialogue. All of this generates a network of interconnections the CEE and LAC countries should exploit more to improve mutual understanding and improve cooperation.

#### **4.2.) AGREEMENTS BETWEEN THE EU AND LAC**

The EU-LAC Strategic Partnership, as well as consolidating a space for political consultation and cooperation, initially aimed at the gradual establishment of a Euro-Latin-American Free Trade Zone, which the EuroLat Parliamentary Assembly postponed until "no later than 2015" in its latest resolution sent to the first EU-Community of Latin American and Caribbean States (CELAC) Summit in Santiago, Chile, held on 26 and 27 January 2013.<sup>20</sup> The Association Agreements are a distinctive EU proposal and are more profound than traditional free trade agreements, as they comprise three pillars of the bi-regional partnership: political dialogue, economic and financial relations, and cooperation. Negotiations began first with the relatively more developed countries in the region, with the aim of gradually extending them as conditions allowed to those countries less advanced at the time. These treaties, which in EU language are

<sup>17</sup> [http://www.consilium.europa.eu/uedocs/cms\\_Data/docs/pressdata/EN/foraff/135043.pdf](http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/EN/foraff/135043.pdf)

<sup>18</sup> All were later included in the 2010 Madrid Agenda, together with dialogues on science, research and technology and education and employment, which were added to those already in existence.

<sup>19</sup> A detailed study of these dialogues and their classification appears in Alemany, C., 2007. The number of these dialogues has not stopped growing and at the 2013 Santiago Summit the first Academic and Legal Summits appeared.

<sup>20</sup> Recommendations of the Euro-Latin-American Parliamentary Assembly (EuroLat) – the parliamentary institution of the bi-regional Strategic Partnership between the European Union (EU) and Latin America and the Caribbean (LAC) – at its Sixth Ordinary Plenary Session in Santiago, Chile from 23 to 25 January 2013, presented at the 1st CELAC-EU Summit.

known as fourth generation agreements, had a medium-term goal of convergence of the different subregional relationships that make up the bi-regional partnership.

However, this homogeneous map has not been produced, and in its place we find an unequal panorama conditioned by the different levels of internal integration among Latin American and Caribbean partners, which has been clearly shown in the negotiations of the Association Agreements. Another structural characteristic of the relationship impeding the performance and evolution of the bi-regional cooperation process are the socio-economic imbalances between partners on both sides of the Atlantic. Indeed, the treatment of these imbalances has been one of the central points in the EU's Association Agreement negotiations with the CARICOM countries and Central America, and they are very present in the pending negotiations with Mercosur. As a result, the network of agreements has come about in several phases that move forward at different paces, which introduces a certain complexity in the external relations framework. Firstly, there are two countries (Mexico and Chile) which signed the first Association Agreements two decades ago in parallel with the Free Trade Agreements (FTAs) they have with the USA. Secondly, there are two regional groups (CARIFORUM and SICA) with whom relations have very recently moved away from the unilateral Generalised System of Preferences (GSP) towards an Association Agreement in the case of SICA and an Economic Partnership Agreement (EPA) in the case of CARIFORUM with an asymmetric Free Trade Zone. Thirdly, Colombia and Peru left the failed region-to-region negotiations and drew up their own agreements, which are only just starting to come into effect.<sup>21</sup>

Hereafter, the picture becomes more complicated: Association Agreement negotiations with Mercosur have been going on for over two decades, although there is a great chance they may unblock. With the GSP reforms coming into force in 2014, of the traditional Mercosur members only Paraguay will be able to benefit. Bolivia, which is in the process of accession to Mercosur but does not want an FTA, will be able to continue benefitting from the GSP; Venezuela, which is acting as an observer in the EU-Mercosur negotiations, cannot benefit from the GSP. Ecuador is negotiating a trade agreement which, in principle, is not exactly an FTA because it is not acceptable for the current Ecuador government, while it maintains the GSP preferences. With all these different situations, the EU continues cooperation to facilitate trade, but the bureaucracy and non-tariff barriers are still significant.

The layout of this panorama of trade relations is also constrained by other regulatory frameworks; firstly the WTO rules, secondly the Latin American Integration Association (ALADI) framework and thirdly the different subregional integration frameworks, a single one for the EU and a multitude for Latin America. All of this generates a multi-layered architecture (Grugel and Guijarro, 2011), which entails the problem of compatibility among its many members. In the following, we present a synthesis of the different frameworks and their impact on relations emphasising the key aspects for CEE-LAC relations.<sup>22</sup>

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<sup>21</sup> The so-called Multi-Party Agreement with Peru and Colombia is open to the accession of other countries.

<sup>22</sup> Further information is available in the on-line Annexes.



## A) BILATERAL ASSOCIATION AGREEMENTS UNDER REVIEW

Mexico and Chile have Association Agreements signed in 1997 and 2002 respectively and after over two decades in force and a positive balance, both countries have started a review process in order to update the agreements. In both cases, but particularly in that of Mexico, this necessary renewal is conditioned by the new Association Agreements drawn up with other LAC countries and groups but also by FTA negotiations with Canada and the USA.

The Economic Partnership and Political Consultation Framework Agreement between the EU and Mexico (signed in 1997 and in force since 2000) represents the first case of a fourth generation agreement signed by the EU with a Latin American country. Moreover, Mexico has been a Strategic Partner of the EU since July 2008, a year after the European bloc had given the same status to Brazil. The contents of the Strategic Partnership between Mexico and the EU were drawn up in a Joint Executive Plan, agreed in the framework of the VI EU-LAC Summit in Madrid in May 2010. Also in 2004, Mexico and the EU signed a Science and Technology Cooperation Agreement, which came into force in July 2005.

As a whole, the functioning of the agreement has been well received by both parties, by governments<sup>23</sup> and even by civil society.<sup>24</sup> Mexico has tripled its trade with the EU between 2000 and 2012 and exports to the EU have gone from 3.3% to 7.4% of total exports to the US, and from 15% to 21% of imports. It has thus made progress in one of its priority objectives, which is the diversification of exports in order to limit its dependence on the USA. However, negotiations to update the Mexico-EU Agreement are foreseen to begin in 2014.<sup>25</sup> The aim is to increase the liberalisation of agricultural and fishing products, further trade in services and create a single framework for the promotion and protection of investments, which currently covers only half of the European countries bilaterally. What is missing are clear regulations on aspects such as the elimination of restrictions on payments related to investment, and it will be necessary to negotiate an investment agreement which will form part of the Global Agreement with the whole of the EU.

Regarding new content, there is the aim of including sustainable development in commercial exchange, and specific areas such as energy and communications. Other aspects to be strengthened are collaboration with SMEs, trade facilitation, the development of cooperation in regulatory coherence and public tenders. This modernisation proposal is being developed in a context conducive to structural reforms within Mexico, such as its energy, employment and fiscal policies. Another new aspect is its integration into the Pacific Alliance, a new liberalisation initiative launched with Chile, Colombia and Peru, which other countries are also approaching.

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<sup>23</sup> VII Joint Mexico/European Union Council. Joint communiqué. Mexico City, 9 February 2012.

<sup>24</sup> Las relaciones México- Unión Europea en el marco del Acuerdo Global y la Asociación Estratégica: Un balance desde la sociedad civil mexicana. ALOP, Mexico, August 2013.

<sup>25</sup> The opening of negotiations has been stimulated by the push for negotiations with the USA which Mexico asked to be a part of, which was rejected by the EU (Joint EU-Mexico Council, 2013)  
<http://www.elfinanciero.com.mx/mundo/descarta-bruselas-sumar-a-mexico-en-negociacion-con-eu.html>

To expand the bilateral relationship and reduce the Mexican deficit, it would be necessary to relax the strict regulations of industrial property rights imposed by the EU and go into more detail regarding trade in agricultural goods, services, investments and the protection of intellectual property rights. With respect to trade in services, progress should be made in the liberalisation of sectors that are currently excluded (audiovisual, coastal trade and air transport services) and in the removal of certain obstacles arising from the application of agreed rules (establishment requirements, nationality requirements, recognition of professional experience and harmonisation of legislation). Monopolistic practices in the banking sector should also be ended.

The Association Agreement between the EU and Chile, signed in 2002 and in full force since 2005, was the second of this type signed with a Latin American country, but it has a broader and more detailed content than that signed with Mexico. As well as the Association Agreement, Chile and the EU signed in 2002 a science and technology cooperation agreement. According to data from the Chilean business world, from the day the trade part of the Association Agreement came into force (February 2003) to 2012, exports from Chile to the EU tripled, going from 4,277 to 12,044 million dollars. Indeed, in 2012 the EU was the second biggest importer of Chilean goods, after China (Baierlein, 2013). In 2012, the EU was the third biggest source of external purchases, after the USA and China.

Both the Chilean and the European authorities have given a positive assessment of the first decade of the Association Agreement (Baierlein, 2013). In February 2014 the total exemption from the universe of tariffs established in the Agreement was also completed, meaning that 98.7% of the value exported from Chile enters the EU free of tariffs, which is 91.8% of products (9,595 products). ECLAC shows that with the Association Agreement, Chile increased the number of its products exported to the EU by 15% (from 2,009 to 2,300 products in 2010), with wine, fresh apples and salmon figuring highly.<sup>26</sup> However, Chile's export pattern of raw materials has strengthened and its trade surplus is based on the high price of copper and its derivatives. Mutual trade should be further diversified to optimise and invigorate economic relations.

Chile is also undertaking negotiations with the EU to modernise the Agreement. Among the aspects needing improvement are the chapters on rules of origin, trade facilitation, public tenders, trade and phytosanitary barriers, services and investments. In particular, the inclusion of objectives linked to sustainable development and an update on financial services in line with new EU banking legislation is sought. Chile aims to increase annual quotas for bird and pig imports and to include or improve access conditions for products such as olive oil, hake, chocolate and others. In addition, it is proposed that the clause on the movement of people be activated and the incorporation of SMEs in exchange be promoted.

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<sup>26</sup> In search of a renewed partnership between Latin America and the Caribbean and the European Union. ECLAC. August 2011.

## B) THE NEW REGIONAL ASSOCIATION AGREEMENTS

With Central America and CARIFORUM, the EU was able to hold bloc-to-bloc negotiations. The key characteristic of these Agreements is that the large North-South imbalances among the partners had to be incorporated in negotiations on the trade of goods and services. This implies the use of a diverse set of instruments including dialogue, consultation, social participation, and development cooperation policy, which also need to be developed through other cooperation instruments. The Agreements establish a joint Association committee to safeguard the application and interpretation of the Agreement and to help adjust the application of the Agreement to suit changing circumstances. The Agreements also have a mechanism for dispute resolution in which parties will have an equal footing.

The Economic Partnership Agreement (EPA) between the EU and CARIFORUM was signed in October 2008 and provisionally came into force in December of the same year.<sup>27</sup> A central element of the Agreement is the consideration of imbalances between the parties. It is not only an economic agreement to revitalise trade links and investment, it is also an instrument of technical and financial assistance to strengthen the export capacity of the Caribbean, diversify its range of products and promote foreign investment.

The EPA eliminates all tariffs and quotas applied to Caribbean exports to the EU, with the exception of sugar and rice, which will be liberalised for brief periods. For their part, the Caribbean countries will gradually open their markets over a period of twenty-five years and will benefit from the improvement in the rules of origin, which will have positive effects for the development of industries that import materials for the manufacture of products to be exported to Europe. Likewise, the EPA allows the Caribbean region to exclude sensitive products or industries from liberalisation or to gradually apply liberalisation over many years.<sup>28</sup> It is assumed that the removal of almost all tariffs and quotas will generate significant gains for the Caribbean countries. However, to increase exports significant investments in infrastructure and human resources will be needed, both from the public and private sectors.

Cooperation of a commercial nature will also be necessary to strengthen fiscal administration and tax revenue in the Caribbean countries to mitigate the negative impacts on the reduction of fiscal income as a consequence of trade liberalisation. The business sector mentions difficulties in obtaining visas to access the European market; the lack of service sector data; the weak link between complementary sectors like tourism, culture, entertainment and sports; the high costs of production and transport; limited access to raw materials;

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<sup>27</sup> For Guyana and Haiti, deferred accession dates are foreseen. Caribbean Community (CARICOM) Secretariat. Office of Trade Negotiations. [http://www.crn.m.org/index.php?option=com\\_content&view=article&id=276&Itemid=76&0872a8d70c6252b77261d45b4779477d=a4a06da66a9ea145a48fca5b485cb278](http://www.crn.m.org/index.php?option=com_content&view=article&id=276&Itemid=76&0872a8d70c6252b77261d45b4779477d=a4a06da66a9ea145a48fca5b485cb278).

<sup>28</sup> The coverage of products liberalised by CARIFORUM countries has risen to 61% in value of EU imports over ten years, 82% over fifteen years (85% of tariff lines) and 86% over twenty-five years (90% of tariff lines), with the main exclusions from tariff reductions being agricultural and transformed agricultural products, chemical products, furniture and other industrial products.

the lack of visibility within the European market, and the scarcity of direct contracts with international buyers.

Given the large imbalance between the parties, to solve potential problems the mechanism for dispute prevention and resolution provided in Part III (Articles 202–223)<sup>29</sup> will be decisive. Alternatively, the possibility of resorting to the WTO system of dispute resolution is considered. In the EU-LAC framework, the Caribbean was distanced because of its membership in the ACP group within the framework of the Cotonou Agreement and the dialogue at the EU-CARIFORUM summits (Carrington, 2012). However, the creation of CELAC, where the Caribbean constitutes 42% all members, allows them to acquire greater regional protagonism and proximity.

The conclusion of the Association Agreement with Central America, after 4 years of negotiations, must be considered a success. The trade pillar of the Association Agreement came into force in a deferred manner for the six Central American countries.<sup>30</sup> The other pillars are pending implementation awaiting ratification by the 28 EU Member States. The Agreement provides for the tariff reduction on goods within five years. Given how recently it has come into force it is still too early to make an assessment of the first year of the implementation of free trade between the parties. Even so, it has become clear that Central America will benefit from the entry without tariffs as new products will be able to enjoy flexible rules of origin.<sup>31</sup> From the point of view of the Central American consumer, prices of certain products imported from the EU (apples, raisins, filled pasta, olive oil, olives, perfumes and wines) will come down, and the entry of raw materials and intermediate goods will become easier, benefiting Central American production activity.<sup>32</sup> The Agreement includes more modern chapters, such as those on Trade and sustainable development and Services and electronic trade and includes standards for promoting Central American economic integration. Another new element is the full consideration of imbalances, giving attention to the obvious dissimilarity between the two regions.

### **C) THE MULTIPARTY AGREEMENTS WITH PERU AND COLOMBIA**

The EU trade agreement with the two Andean countries is part of the attempt to sign a bi-regional agreement between the EU and the Andean Community (CAN). In 2004 negotiations on the political dialogue and cooperation pillar concluded, and those on the free trade pillar began. Disagreements among the members led to the exit of Venezuela, which left the group and requested accession to Mercosur. In May 2008, during the EU-LAC Summit in Lima, the decision was taken to make the process more flexible, so that each of the four CAN countries

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<sup>29</sup> The mechanism provides for consultation between the parties, mediation by a third party whose opinion will not be binding and recourse to arbitration, where the panel would be made up of three arbitrators, whose binding award will be carried out by the parties, taking any measures necessary to do so and, failing this, offering compensation.

<sup>30</sup> In August 2013 the Agreement came into effect for Honduras, Nicaragua and Panama. For Costa Rica and El Salvador, this happened in October and for Guatemala, in December of the same year.

<sup>31</sup> [http://eeas.europa.eu/delegations/nicaragua/documents/press\\_corner/news/20130204\\_brochure\\_pilar\\_comercial\\_es.pdf](http://eeas.europa.eu/delegations/nicaragua/documents/press_corner/news/20130204_brochure_pilar_comercial_es.pdf)

<sup>32</sup> Central America-European Union Association Agreement. Trade pillar. Explanatory Document. Costa Rica Ministry of Foreign Trade. July 2010.

could advance at different speed in the different pillars of the Association (political, economic and cooperation), and the thematic and geographical division of the negotiations was agreed on, leading to multiparty trade agreements. Colombia and Peru concluded their negotiations with the EU at the Madrid Summit in May 2010, and the agreement was signed in June 2012.<sup>33</sup> Originally Ecuador also participated in these negotiations, withdrawing after the fifth round in July 2009. At the moment Ecuador has returned to the negotiating table.

The Agreement establishes conditions in the field of human rights and the environment and includes social clauses for the observance of minimum employment standards. According to European estimates, the agreement will increase Colombia's GDP by 1.3% and Peru's by 0.7% in the long term. Andean exports should also grow by 8% and imports by 6%, with positive consequences for the agricultural, agroindustrial, textile, clothing, leather, heavy machinery and mining sectors.<sup>34</sup> The agreement also provides for technical assistance and initiatives to promote the competitiveness and innovation of the Colombian and Peruvian production sectors. For the EU, it is calculated that at the end of the first decade of the agreement being in force, European industrial and fishing exporters will have saved 250 million Euros per year through the reduction of tariffs.

#### **D) NEGOTIATIONS WITH MERCOSUR**

The European Union showed interest in Mercosur from the moment of its creation,<sup>35</sup> and one year later the EC-Mercosur Inter-institutional Cooperation Agreement was signed to support the integration process. In 1995 Mercosur and the EU signed a framework agreement of inter-regional cooperation, which came into force in 1999, with the objective of preparing the bases for an Association Agreement. The Association Agreement between Mercosur and the EU has generated great expectation as it would create a free trade zone with a market of 800 million inhabitants. However, it has not been concluded yet.

The political launch of EU-Mercosur negotiations took place at the EU-Latin America Summit held in Rio de Janeiro in June 1999 and the first Bi-regional Negotiation Committee met in Buenos Aires in April 2000. By August 2004 (in Brussels) there had been 15 meetings, and in September 2004, offers were presented – in goods – from the European Union which reached 91.5% and from Mercosur which reached 83.5%, which prima facie would fall within the limits set by the WTO for it to be considered a Free Trade Agreement.<sup>36</sup> However, the parties were not satisfied and it was impossible to avoid the negotiations falling into stalemate.

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<sup>33</sup> The Agreement has entered into provisional application for Peru in March 2013 and for Colombia in August of the same year.

<sup>34</sup> In the agricultural sector alone, it is expected that the removal of tariffs will mean savings of 150 million Euros per year for Andean producers. Highlights of the Trade Agreement between Colombia, Peru and the European Union. Brussels, 26 June 2012. [http://www.sice.oas.org/TPD/AND\\_EU/negotiations/Highlights\\_PER\\_COL\\_EU\\_e.pdf](http://www.sice.oas.org/TPD/AND_EU/negotiations/Highlights_PER_COL_EU_e.pdf)

<sup>35</sup> On the same day the Asunción Treaty was signed, the then EC sent its congratulations on the achievement.

<sup>36</sup> The WTO sets the liberalisation minimum at 80%, measured under a series of specific parameters.

The Spanish EU Council Presidency in 2010 gave a new push to the negotiations with Mercosur at the EU-LAC Summit in Madrid. At the Santiago de Chile EU-LAC Summit in January 2013 it was agreed that new mutual offers would be presented during the final quarter of 2013, although this has been postponed to 2014. Brazil, Uruguay, and Paraguay are pushing the Agreement, but Argentina is somewhat reticent. The main inconvenience is the threat of competition for the industrial sector, which is less competitive than Brazil's. At the same time, there is an objection to the obstacles the EU maintains in its latest offers for the entry of agricultural products. Mercosur considers that the EU Common Agricultural Policy (CAP) particularly affects South America, as a highly agro-export-dependent region. Added to these obstacles is the fact that internally Mercosur is not fully consolidated, as there are still products and whole sectors which are not internally liberalised (cars, sugar) which would make intra-Mercosur transit of products coming from the EU difficult. There have also been significant discrepancies on certificates of origin<sup>37</sup> of (fundamentally European) products and regulations on phytosanitary standards. Because of this, despite expectations there is a certain scepticism. Recently,<sup>38</sup> the European External Action Service's Managing Director for the Americas, Christian Leffler, declared that "We are hopeful, but not entirely confident, that we will have the offer,"<sup>39</sup> although it is believed that it will be ready and consolidated by mid-2014.

In reality, exchange is complementary, as the EU is the main destination for agricultural exports from Mercosur, and EU sales are basically made up of industrial and service products.<sup>40</sup> And beyond trade, the idea of this negotiation "was conceived as part of a wider global strategy for both regions, with strong political and economic dimensions" (Peña, 2012).

#### 4.3) THE EUROPEAN COOPERATION PROGRAMMES

Historically, the EU has been the main sponsor of Latin America, to which it allocates regional (EU/LAC and EU/Caribbean), subregional (EU/Mercosur-CAN-Central America) and bilateral (EU/LA countries) funds. In its last two multi-annual programming periods (2002-2006 and 2007-2013) the EU committed over 4,300 million Euros between these three types (1,685 and 2,622 million Euros respectively). In the last multi-annual framework, 556 million were allocated to regional programmes, 195 million to subregional programmes and 1,871 million to bilateral cooperation with 18 countries, including Cuba (Durán et al., 2013). However, European Cooperation policy is undergoing a process of change, which implies a reorientation based on different strategic outlooks including the incorporation of the Aid Effectiveness Agenda derived from the Paris Agenda in the OECD framework and the post-2015 development agenda framework that will replace the Millennium Development Goals.<sup>41</sup> These new directions are broadly based on

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<sup>37</sup> A case exemplifying the discrepancy in this area was the one related to "La Rioja" wines, as in Argentina there is a province called "La Rioja", which also produces wine.

<sup>38</sup> Written on 19 March 2014.

<sup>39</sup> Full note at <http://es.mercopress.com/2014/03/19/europa-esperanzada-con-un-intercambio-de-ofertas-con-mercursosur>

<sup>40</sup> Resolution on trade negotiations between the EU and Mercosur. 17 January 2013. (2012/2924(RSP).

<sup>41</sup> A decent life for all: Ending poverty and giving the world a sustainable future COM (2013) 92 final 27.02.2013

<sup>42</sup> An Agenda for Change (2014-2020) COM(2011) 637 final, Brussels, 13.10.2011

the so-called “Agenda for Change (2014-2020)”<sup>42</sup> drawn up by the Commission. It proposes differentiated partnerships according to the following criteria: the country’s needs, capacities and internal resources, state commitment and results, potential of EU impact, specificities for weak countries.

As a result, Latin America, which was not a priority in EU development policy, will be less so because cooperation will be directed towards the less advanced countries and LAC brings together mainly middle-income countries (MIC). For the next period 2014-2020 the EU has applied new distribution criteria for cooperating with third countries. This will affect 11 Latin American middle-income countries, which will no longer be subject to bilateral cooperation, entering the so-called condition of “graduates.” Henceforth, these countries will be able to participate only in regional thematic programmes aimed at “public goods and global risks” (environment, climate change, energy, migration, etc.), in the “local authorities and civil society” programme, in the democracy and human rights instrument, as well as in small bilateral funds for areas of European interest. Thus, Latin America has become the region that will experience the biggest change in status EU cooperation (Sanahuja, 2012). According to the forecasts recently published by the European Commissioner for Development, Andris Piebalgs, total bilateral and regional cooperation with LAC for the period 2014-2020 will be €2.5 billion, of which 925 million will be allocated to regional programmes which see their funding increase to the detriment of cooperation with all middle income countries, which will be withdrawn.<sup>43</sup> The Caribbean Countries receive own cooperation funding from the European Development Fund (EDF).

This decision is a loss for some LAC countries that are no longer individually eligible. However, the boost to the regional format might be an opportunity for countries with less developed cooperation such as the CEE and LAC countries to join regional cooperation programmes promoting networking and triangular cooperation. This is the challenge for the CEE countries, which have traditionally participated little in the horizontal and decentralised cooperation programmes of the EU.

But the orientation and instruments are also going to be modified. With the 2007-2013 regional programming terminated, new ones are being drawn up for 2014-2020, which are going to be based on the Santiago Action Plan<sup>44</sup> that brings together 8 strategic axes:

- Science, research, innovation and technology;
- Environment, development, climate change, biodiversity and energy;
- Regional Integration, inter-connectivity and promotion of social inclusion and cohesion;
- Migration;
- Education and employment to promote social inclusion;
- The world drugs problem;
- Gender;
- Investment and entrepreneurship for sustainable development.

<sup>43</sup> <http://www.expansion.com/2014/03/24/latinoamerica/economia/1395666158.html>

<sup>44</sup> [http://www.consilium.europa.eu/uedocs/cms\\_Data/docs/pressdata/EN/foraff/135043.pdf](http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/EN/foraff/135043.pdf)

The existence of a sectorial dialogue for each one of these is an opportunity for CEE and LAC countries to share experiences, which in many cases have points in common. In spite of the geographical and cultural distance there are similar recent experiences that could be shared and the smaller imbalance in terms of levels of development should facilitate this exchange, although up to now this has not been the case. The recent medium-term assessment of one of the biggest bi-regional cooperation programmes, EUROsociAL, shows the scarce participation of the CEE countries as one of the aspects to correct.<sup>45</sup> That is the situation for the majority of decentralised cooperation programmes, like the URBAL cooperation programme between local and regional entities, AI-Invest for SMEs, Euro-Solar for renewable energies, or Euroclima.

Other programmes which offer great possibilities to strengthen CEE-LAC relations are technology transfer programmes, like for example the Joint Initiative on Research and Innovation which promoted the participation of Latin American research groups in the programmes of the 7th European Framework Programme for Research<sup>46</sup> and which will have to be adapted to the new Horizon 2020 programme. From some interviews there is either a noticeable ignorance of the existence of these programmes or even the perception that they are projects which are heavily influenced by certain member countries with greater connections with LAC, which are gaining an advantage through their previous connections (Meisel, 2014).

The renewal of the majority of these programmes within the new regional strategies should consider how to incorporate more CEE countries with regional programmes establishing goals and specific instruments to promote their understanding and effective participation. The European External Action Service and its representations can take specific action on this, but there also has to be more proactive action taken by national social actors to promote exchange links. This is easier for those countries which have a presence of diasporas but very difficult if there is no previous relationship. The EU-LAC Foundation can have a specific role in this task.

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45 [www.eurosocial-ii.eu](http://www.eurosocial-ii.eu)

46 [http://ec.europa.eu/research/iscp/pdf/lac/joint\\_initiative\\_for\\_research\\_and\\_innovation\\_en.pdf#view=fit&pagemode=none](http://ec.europa.eu/research/iscp/pdf/lac/joint_initiative_for_research_and_innovation_en.pdf#view=fit&pagemode=none)





# 5 MECHANISMS AND CHANNELS OF BILATERAL COOPERATION

While the network of agreements that make up the legal framework established between the EU and some Latin American countries/blocs of countries have been the main driver for relations between LAC and CEE countries in the last decade, bilateral relationship frameworks survive and these largely explain the different levels of interaction between the different countries. Here we will deal with political and/or diplomatic relations, as well as other kinds of instruments and factors that have been of relevance for mutual understanding and contact between countries of both regions.

## 5.1) BILATERAL LEGAL-INSTITUTIONAL RELATIONS

As mentioned above, during the Soviet era in Central and Eastern Europe, both economic and diplomatic relations with Latin America were close. There was an extensive network of diplomatic representations. The same happened in the case of Yugoslavia, which had a very active presence in Latin America,<sup>47</sup> made up of a highly qualified diplomatic corps generally belonging to the different states constituting the Yugoslav bloc.

The fall of the Soviet bloc brought with it a withdrawal of the CEE countries and bilateral relations with regions outside the EU were at an all-time low. At the same time, some of the new countries that arose from the dismemberment of the USSR and former Yugoslavia lacked representation, a diplomatic corps in the region and a legal framework for relations. Equally, as regimes changed in previously existing countries, relations had to be updated. Because of this, although LAC was not a priority zone for the CEE countries, a certain amount of diplomatic activity was necessary to establish legal-institutional bases for relationships.

It is not possible here to carry out an exhaustive analysis of each and every one of the agreements reached, nor of the diplomatic missions or visits of each country, as this goes beyond the remit of this report, but the aim is to show the main bilateral links, beyond the purely economic ones, and their main characteristics.

## A) DIPLOMATIC REPRESENTATIONS

The existence of a diplomatic representation from one country in another shows the importance

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<sup>47</sup> Yugoslavia had representations in all Latin American countries.

**Table 5: Representations of LAC in CEE countries**

	Bulgaria	Slovakia	Slovenia	Estonia	Hungary	Latvia	Lithuania	Poland	Czech Rep.	Romania
Argentina	E	-----	-----	-----	E	-----	-----	E	E	E
Bolivia	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Brazil	E	E	E	E	E	-----	-----	E	E	E
Chile	-----	-----	-----	-----	E	CH	-----	E	E	E
Colombia	C	-----	-----	-----	-----	C	-----	E	-----	-----
Costa Rica	-----	CH	-----	C	-----	-----	-----	-----	-----	-----
Ecuador	C	CH	-----	-----	E	CH	-----	E	C	-----
El Salvador	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Guatemala	-----	-----	-----	-----	CH	CH	-----	CH	CH	CH
Honduras	-----	-----	-----	-----	-----	-----	-----	-----	C	-----
Mexico	-----	-----	-----	-----	E	-----	-----	E	E	E
Peru	CH	CH	CH	CH	CH	CH	CH	E	E	E
Panama	-----	-----	-----	-----	-----	-----	-----	E	CH	-----
Paraguay	-----	CH	CH	-----	-----	-----	-----	-----	CH	-----
Dominican Rep.	-----	-----	-----	-----	-----	-----	-----	-----	CH	-----
Surinam	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Trinidad y Tobago	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Uruguay	-----	-----	-----	CH	CH	CH	-----	E	-----	E
Venezuela	E	-----	E	-----	E	-----	-----	E	E	E

Key: E (Embassy); C (Consulate); HC (Honorary Consulate)

given to bilateral relations. It could be said that if it is an Embassy, the presence of the country there is of primary importance, especially if it is a relatively small or has limited resources. However, often the establishment of diplomatic representations has more to do with a show of intent by a country to become a global player or as an instrument of soft power, than the existence of significant economic and/or cultural relations between two specific countries.

In the case of Latin America and the CEE countries, their global presence varies widely, even more so if we look at the two regions together. Tables 5 and 6 show the distribution and typology of diplomatic representations in two tables: one refers to diplomatic representations of LAC countries in Central and Eastern Europe, and the other shows them the other way around. In these tables it can be seen that the network is limited and that recourse to honorary consuls is fairly common. But again we see here the importance – on the LAC side – of Brazil, Argentina and Mexico, and on the other side of Poland, Czech Republic and Romania.

In the last decade, bilateral/regional relations have increased considerably, not only at the level of the number of ordinary permanent diplomatic representations seen in the tables, but also through high-level visits. In recent years some relevant visits can be highlighted such as that of the President of Slovenia, Danilo Türk, who toured Latin America in 2008, and in the same year the Polish Prime Minister, Donald Tusk, visited Peru and Chile. Argentinian President Cristina Fernández received the President of Lithuania, Valdas Adamkus, in July 2008. The President of the Czech Republic, Václav Klaus, was on tour in Chile and Argentina in April 2011. The Romanian Secretary of State visited Brazil, Chile and Peru in 2012, and in November of that year the Polish Minister of Foreign Affairs, Radosław Sikorski, visited Brazil. The President of Peru, Ollanta Humala, received his Romanian counterpart, Traian Basescu, in January 2013, where he also announced a trip to Romania in the next few years. It is noteworthy that Slovenia became an observer state in the ACS-AEC (Association of Caribbean States) in 2012.

Going the other way in recent years,<sup>48</sup> there are few high-level official trips by Latin American leaders to Central and Eastern European countries. Among them mention should be made of the Presidents of Brazil, Fernando Henrique Cardoso, to Poland and Slovakia in February 2002 and Dilma Rousseff to Bulgaria<sup>49</sup> in October 2011. In June 2007 the Peruvian Minister of Foreign Affairs, José Antonio García Belaúnde, also visited Poland. It is also worth remembering that the ex-President of Venezuela, Hugo Chávez, made several trips to Eastern Europe, but only to Russia, Belarus and Ukraine. For his part, the President of Ecuador, Rafael Correa, announced the possibility of closing its embassies in Hungary and Poland given the lack of reciprocity, while at the same time visiting Russia. This notwithstanding, the Peruvian Foreign Minister met his counterparts from Slovakia and Hungary in 2013. Recently (2014), the Colombian Minister for Foreign Affairs met her Czech counterpart in Prague.

At the diplomatic level, Hungary reopening its embassy in Chile in January 2014 can be taken as an example of the strengthening of relations.<sup>50</sup> Latvia opened an Honorary Consulate in Brazil in December 2013 as part of a new strategy to extend relations outside the EU, including Latin America.<sup>51</sup> The Czech Republic will reopen<sup>52</sup> its embassy in Bogotá and a trade office in Medellín this year, as part of said comprehensive strategy of some CEE countries to form closer ties with Latin America. But there are few CEE and LAC countries that have a

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<sup>48</sup> The ex-president of Peru, Alberto Fujimori, had visited Hungary, Poland and Romania in 1998.

<sup>49</sup> His visit was in large part motivated by the Bulgarian origins of the father of the President.

<sup>50</sup> Closed in 2009.

**Table 6: Representations of CEE countries in LAC countries**

	Argentina	Bolivia	Brazil	Chile	Colombia	Costa Rica	Ecuador	El Salvador	Guatemala	Honduras
Bulgaria	E	-----	E	-----	-----	-----	-----	-----	-----	-----
Slovakia	E	-----	E	-----	-----	-----	-----	-----	-----	-----
Slovenia	E	-----	E	C	-----	-----	C	-----	-----	-----
Estonia	CH	CH	E	CH	-----	CH	CH	CH	-----	-----
Hungary	E	CH	E	E	-----	CH	CH	-----	CH	CH
Latvia	CH	-----	CH	CH	CH	-----	-----	-----	CH	CH
Lithuania	CH	-----	C	CH	CH	-----	CH	-----	-----	-----
Poland	E	CH	E	E	E	CH	CH	CH	CH	CH
Czech Rep.	E	CH	E	E	CH	CH	CH	CH	CH	CH
Romania	E	CH	E	E	E	CH	CH	CH	CH	CH
	Mexico	Peru	Panama	Paraguay	Dominican Rep.	Suriname	Trinidad y Tobago	Uruguay	Venezuela	
Bulgaria	E	-----	-----	-----	-----	-----	-----	-----	-----	
Slovakia	E	-----	-----	-----	-----	-----	-----	-----	-----	
Slovenia	CH	-----	CH	-----	-----	-----	-----	-----	-----	
Estonia	CH	-----	-----	CH	CH	-----	-----	CH	CH	
Hungary	E	CH	CH	CH	-----	-----	-----	CH	CH	
Latvia	CH	CH	-----	CH	CH	-----	-----	CH	CH	
Lithuania	CH	-----	-----	CH	CH	-----	-----	CH	CH	
Poland	E	CH	CH	E	CH	CH	CH	CH	E	
Czech Rep.	E	CH	CH	E	CH	CH	CH	CH	-----	
Romania	E	CH	CH	E	CH	-----	-----	E	E	

Key: E (Embassy); C (Consulate); HC (Honorary Consulate)

<sup>51</sup> As part of this strategy Latvia signed a Memorandum of Understanding for political consultations first with Uruguay and then with Brazil, Chile, Argentina, Peru, Colombia, Mexico, Panama, Cuba and Costa Rica. (Elteto, 2014)

<sup>52</sup> Closed in 2010.

comprehensive country-strategy of relations and it often depends on the activism of certain representatives.

## **B) BILATERAL AGREEMENTS**

The LAC and CEE countries are linked by an infinite number of agreements on different subjects: trade, investment, military cooperation, double taxation, animal health, extradition, among others. In compliance with the objective of the project and what was mentioned in section 2, the obligatory references are the Agreements on Reciprocal Promotion and Protection of Investments (ARPPi). Basically the structure in all cases considers the same points: promotion and protection of investments, national treatment, transfers, expropriations, compensation and dispute resolution. These agreements are necessary to the extent that these questions are not always covered in the current Association Agreements in force with the EU.

Table 7 shows all investment agreements signed between governments of the countries included in this study. It can be seen that they were all signed before the accession to the EU of the CEE countries, and that only one came into force after accession. It is worth highlighting that Brazil does not appear on the list and that Mexico only has one agreement, being the country which invests most in Central and Eastern Europe, especially if we take into account that the Association Agreement in force with the EU does not cover investment protection.

After the Lisbon Treaty came into force giving new powers to the EU, the Association Agreements will indeed cover investment protection. As these agreements are updated, the bilateral agreements between LAC and CEE countries will be replaced by a single agreement for all of the EU with the corresponding LAC country or group of countries, resulting in a simplification of the legal framework. This will provide a greater coverage to investors on both sides of the Atlantic. The same does not happen with double taxation agreements, which will continue to be bilateral and are currently scarce. These agreements are interesting for internationalised companies, but they are especially important for the mobility of people.

While it is true that concluding agreements like those described is of vital importance for providing relations with a legal framework (especially in terms of trade and investment), the support businesses and investors can receive through promotion events, economic forums and/or trade missions, both from government organisms and business associations, is no less important.

In this regard, it is interesting to highlight that a greater level of representation of each country through embassies, trade sections and consulates generates a greater understanding and they generally carry out promotional activities, both economic and cultural.

## **C) ECONOMIC PROMOTION ACTIVITIES**

As shown earlier, one of the recurring obstacles mentioned by those interviewed for the project is mutual ignorance. Hence the dynamism of relations makes it necessary for governments to carry out active policies in collaboration with the private sector. The increase in representation has facilitated this type of initiatives, which are not common but very impor-

**Table 7: Bilateral Investment Agreements**

Parties		Signature	Entry into force
Argentina	Bulgaria	21/09/1993	11/03/1997
Argentina	Hungary	05/02/1993	01/10/1997
Argentina	Lithuania	14/03/1996	01/09/1998
Argentina	Poland	31/07/1991	01/09/1992
Argentina	Czech Republic	21/09/1996	-----
Argentina	Romania	21/07/1993	01/05/1995
Chile	Hungary	10/03/1997	-----
Chile	Polonia	05/07/1995	22/09/2000
Chile	Czech Republic	24/04/1995	02/12/1996
Chile	Rumania	04/07/1995	27/08/1997
Costa Rica	Czech Republic	28/10/1998	-----
El Salvador	Czech Republic	29/11/1999	28/03/2001
Guatemala	Czech Republic	08/07/2003	29/04/2005
Mexico	Czech Republic	04/04/2002	-----
Panama	Czech Republic	27/08/1999	20/10/2000
Paraguay	Hungary	01/08/1993	01/02/1995
Paraguay	Czech Republic	21/10/1998	24/03/2000
Paraguay	Romania	21/05/1994	03/04/1995
Perú	Romania	16/05/1994	16/01/1995
Uruguay	Hungría	25/08/1989	01/07/1992
Uruguay	Poland	02/08/1991	21/10/1994
Uruguay	Romania	23/11/1990	30/08/1993
Uruguay	Czech Republic	26/09/1996	20/12/2000
Venezuela	Czech Republic	27/04/1995	23/07/1996

Own table (Source: OAS)

tant to establish spaces for mutual dialogue that may contribute to the generation of further exchange. Through these occasional examples, we can confirm the abovementioned trend for CEE countries after the crisis to go in search of new markets outside Europe in order to increase and diversify their exports. Among the different initiatives there are several types: the establishment of bi-national chambers of commerce; collaboration between investment promotion organisms; and the attendance of fairs, seminars and forums for the promotion of business and investment.

The following are examples of collaboration between chambers of commerce: in April 2011 the Brazilian-Lithuanian Chamber of Commerce was opened; in December 2013, the Latvia-Argentina/Uruguay Chamber of Commerce was opened; in May 2012 the Polish-Argentine Chamber of Commerce was reactivated in Buenos Aires; in April 2014 the Hungarian-Mexican Joint Economic Commission was created.

**Table 8: Bilateral Double Taxation Agreements**

Parties		Area	Signature
Argentina	Poland	Air and Sea Transport	28/12/1950
Brazil	Hungary	Income and Capital	20/06/1986
Brazil	Slovakia	Income and Capital	26/08/1986
Brazil	Czech Republic	Income and Capital	26/08/1986
Ecuador	Romania	Income and Capital	24/04/1992
Mexico	Czech Republic	Income and Capital	04/04/2002
Mexico	Poland	Income	30/11/1998
Mexico	Slovakia	Income	13/05/2006
Mexico	Romania	Income and Capital	20/06/2001
Uruguay	Hungary	Income and Capital	25/10/1988
Uruguay	Poland	Income and Capital	02/08/1991
Venezuela	Czech Republic	Income and Capital	26/04/2006

Own graph (Source: UNCTAD)

As for agreements with promotion agencies the following examples are found: in April 2012 HITA<sup>53</sup> opened its first office in São Paulo and signed agreements with other similar organisations in Argentina (Exportar) and Brazil (Apex); in October 2013 PAIIZ<sup>54</sup> signed a cooperation agreement with ProChile. Other countries like Mexico attend to CEE countries from Proméxico offices in Germany and Sweden.

Among the most recent trade missions are: Estonia's business mission to Mexico (logistics sector, May 2013); Romania's business mission to Mexico (naval sector, June 2013); Rio de Janeiro Business Chamber Delegation to Hungary (May 2014); 4th meeting of the Mexico-Romania High-Level Group<sup>55</sup> (March 2014). These initiatives are a further example of the growing interest of companies in the CEE countries – especially the bigger ones – in the Latin American market.

At the same time, trade fairs, seminars and forums can boost trade and investment, as contact is made directly between companies and investors. In relation to this last point we can list a series of recent events in which both regions were able to converge, which shows the growing and renewed mutual interest; Czech-Argentine Technology Days (November 2009); Czech-Mexican Technology Days (September 2009); Czech-Brazilian Technology Days (November 2010); Hungary-Latin America Forum (Budapest, March 2012); Latin American Economic forum of the Danube Region (Budapest, October 2012); seminar "Investment Possibilities in Brazil and Rio de Janeiro" (Budapest, May 2013); Bilateral Business Summit North America - CEE (Bratis-

<sup>53</sup> Hungarian Investment and Trade Agency

<sup>54</sup> Polska Agencja Informacji i Inwestycji Zagranicznych (Polish Information and Foreign Investment Agency).

<sup>55</sup> This relationship can be classified as a success given that Romania among other things managed to sell two oil platforms to PEMEX and two patrol boats to the government.



lava, Sept 2013).<sup>56</sup> In June 2010, SARIO<sup>57</sup> organised a bilateral trade summit with Mexico and Slovakia in Bratislava, and last but not least, in September 2013 a meeting of the Hungarian-Brazilian Joint Economic Committee took place in Budapest.<sup>58</sup>

Again, it can be seen here that Mexico and Brazil stand out on the Latin American side and Poland, Hungary and the Czech Republic on the CEE side. The smaller countries or the ones with fewer resources should try to take more advantage of the spaces provided by the European cooperation programmes, which are currently under-exploited.

#### **D) CULTURAL COOPERATION**

Last but not least, in the last few years advances have also been made in the field of cultural cooperation. Given the previously mentioned level of ignorance between both regions the promotion of cultural relations is a fundamental element to increase the visibility of countries of one region in the other. A large number of cultural cooperation agreements have been signed between both groups of countries, often on the occasion of a state visit. For example, in 2004 Peru and Romania signed a cooperation agreement in the fields of Education, Science, Culture, Youth and Sport; in 2005 Mexico and Latvia signed a cooperation agreement in the areas of Culture, Education and Sport; in 2006 Colombia and Slovenia signed a Cultural and Educational Exchange Agreement; and in 2008 the governments of Argentina and Lithuania did the same thing, signing a cultural cooperation agreement on the occasion of an official visit by the Lithuanian President to Buenos Aires.

There are also a large number of cultural events that are held in both regions to promote and strengthen ties between the different cultures. Generally, it is the embassies that support these initiatives, providing spaces and promoting cultural activities such as musical concerts, art exhibitions, film festivals or book presentations. Some events of recognised importance are, for example, the Cultural festival “Hungary in Cancún” (Seventh edition); the “Frederic Chopin” International Piano Competition in Lima (Third edition); the “Tango Sun Festival”, an International Tango Festival in Riga (Seventh edition); the “Lodz Ballroom Tango Festival” in Poland (Fourth edition).

However, there is rarely a structured cultural cooperation policy. Some countries such as Poland do have a Department of Public and Cultural Diplomacy with an extensive programme, although according to the case study which appears as an on-line Annex, the activities are not really designed with the Latin American region in mind (Brudzinska and Rostowka, 2014). To increase visibility and drawing power and to promote a vision of community and shared values within the CEE countries as a whole, several groups have been set up responding to common ties. The most established of these is the Visegrad Group, made up of Poland, Czech Republic, Slovakia and Hungary, which hold joint activities and coordinate some of their activities in other countries through their representations, according to some of those interviewed for this study.

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<sup>56</sup> The next will be held in June 2014 in Mexico.

<sup>57</sup> Slovak Investment and Trade Development Agency.

<sup>58</sup> The next will be held in autumn 2014 in Brazil.

One example given in the case study is the “European Quartet – One Melody” held in 2013 in Brazil (Brudzinska and Rostowka, 2014); another example is the conversion of the Hungary-Latin America Forum held in Budapest in 2012 into an LA-V4 Forum (Silva, 2014). Another group of countries that coordinate among each other are the Baltic countries (Estonia, Latvia and Lithuania), although their activity in LAC is low.

In the field of education and research, in addition to the European programmes, there are bilateral programmes. Although little precise data is available, the number of Latin American students going to the CEE countries is not high because of mutual ignorance and the language barrier. However, there is a detectable slow increase in some countries, such as Poland, which doubled its number of Latin American students in one decade (Brudzinska and Rostowska, 2014).

In this field it is essential to highlight the educational programme developed by Brazil called “Science Without Frontiers” (CSF). Launched in 2011, CSF constitutes a programme for international exchange and mobility in the framework of the expansion, consolidation and internationalisation of Brazilian science. Destinations available for undergraduate or postgraduate study are Hungary, the Czech Republic, and from this year Poland as well (Carrijo and Villar, 2014).

But to facilitate the promotion of both economic and social exchange it is necessary to review visa policies to adapt them to mobility needs in order to facilitate direct investment and research cooperation (Ayuso and Sánchez-Montijano, 2012). The new Association Agreements should promote reciprocity in admission conditions to facilitate science and technology cooperation programmes. Likewise, reciprocal bilateral double taxation agreements should be strengthened.

It is also important that countries draw up more structured cultural cooperation policies which might allow synergies to be established between existing national and European supply, developing scholarship programmes and joint exchange to facilitate mobility between LAC and CEE countries. This has an influence on improved access to information, collaboration agreements and joint programmes.

## **5.2) OTHER CHANNELS OF NON-OFFICIAL COOPERATION**

### **A) DIASPORAS**

We have pointed out in the introduction that migratory flows have been fundamentally one-directional: from the Central and Eastern European countries to Latin America and the Caribbean. The presence of immigrants from Central and Eastern Europe has been largely in South America, mainly Brazil, Argentina, Chile, Uruguay and Venezuela. However, Mexico has also been an immigration destination for this part of Europe, although to a lesser extent and later on.

Undoubtedly Poland is the country with the biggest migratory presence in LAC. While there are no recent statistics, it is estimated that today the Polish diaspora, only in Brazil, exceeds one million people.<sup>59</sup> Argentina has also received a large number of Poles, especially in the North of the country, more precisely in the Misiones province. The Polish community in Argentina is the

second biggest in Latin America and now has between 600 thousand and one million people. In Mexico,<sup>60</sup> the official numbers put the current number of Polish residents and their descendants at around 80,000. There is also a relatively large Polish presence in Chile (10 to 20,000)<sup>61</sup> and Venezuela (8 to 10,000).<sup>62</sup>

Other large European diasporas from the CEE countries are also worth mentioning; for example the number of Hungarians in Brazil exceeds 80 thousand, and it is estimated that Bulgarians currently reach 60 thousand people, including President Dilma Rousseff. In Argentina there is a large Hungarian community of around 40 thousand Hungarian citizens and their descendants, as well as over 30 thousand Czechs and around 35 thousand belonging to the Lithuanian community.<sup>63</sup> In other countries the influence has been much more limited and with the passing of time has been diluted, although small diasporas of Eastern and Central Europeans can still be found in Peru, Colombia and Uruguay.

In times of increased migration, particularly at the beginning of the 20th century and the end of the Second World War, each community would publish newspapers, magazines and gazettes aimed at their fellow countrymen and published in their own language.<sup>64</sup> Regional and cultural centres were formed to maintain and promote traditions and to support foreigners in their attempt to adapt to their new circumstances. Some of these institutions continue to exist today and are responsible for keeping customs alive and promoting cultural, sports, travel and exchange activities.

The existence of these diasporas improves the capacity to hold cultural promotion activities in a sustained way. Because of this, as can be deduced from some of the interviews, an important jobs of these diasporas is trying to bring together people linked with the country of origin, which is also one of the permanent tasks of the representations. The knowledge that these populations have of their countries of origin makes them the more interested in taking advantage of the facilities of both bilateral and EU student and researcher mobility and exchange programmes, so they should be a specific target group to bolster relations.

## B) TOURISM

Tourism between both regions has not been characterised by great dynamism. The lack of

<sup>59</sup> In this respect, estimates put the number of immigrants and descendent at between 800 thousand and 2 million.

They have settled mainly in the State of Paraná. See "Brasil e Polonia – 90 anos de relações diplomáticas" (J. Mazurek);

<sup>60</sup> Official statistics from Mexico

[www.inegi.gob.mx/prod\\_serv/contenidos/espanol/bvinegi/productos/integracion/pais/historicas10/Tema1\\_Poblacion.pdf](http://www.inegi.gob.mx/prod_serv/contenidos/espanol/bvinegi/productos/integracion/pais/historicas10/Tema1_Poblacion.pdf)

<sup>61</sup> [https://www.msz.gov.pl/es/p/santiagodechile\\_cl\\_a\\_es/](https://www.msz.gov.pl/es/p/santiagodechile_cl_a_es/)

<sup>62</sup> [http://joshuaproject.net/people\\_groups/14431/VE](http://joshuaproject.net/people_groups/14431/VE)

<sup>63</sup> Data from various sources: <http://www.mfa.gov.hu/kulkepviselet/MX/hu/> ; <http://memoria.csasp.g12.br/default.aspx> ;

<http://www.centrolituano.com/>; [http://www.buenosaires.gob.ar/areas/secretaria\\_gral/colectividades/?col=14](http://www.buenosaires.gob.ar/areas/secretaria_gral/colectividades/?col=14) ;

<http://www.romania.org.ar/promania.html> ; <http://www.dprp.gov.ro/america-latina/>

<sup>64</sup> Examples of these publications are the newspaper "Argentinos-Lietuviu Balsas" which was published between 1927 and 1968, or "Lud" which was in circulation from 1921, then renamed "Nowi Lud." in 1990.

**Table 9: Percentage of arrivals compared to the European total.**

Region / Year	2000	2005	2011	2012
Northern Europe	11,9 %	13,4 %	12,3 %	12,1 %
Western Europe	36,0 %	31,5 %	31,1 %	31,7 %
Central and Eastern Europe	17,9 %	20,1 %	20,2 %	20, %
Southern Europe	34,1 %	34,8 %	35,7 %	36,1 %

Own table (Source: Tourism Statistical Yearbook 2012 - Ministry of Tourism of Argentina)

direct routes joining Central and Eastern Europe with Latin America has been one of the main causes. Additionally, the ignorance on the part of potential Latin American tourists about the culture and circumstances of countries after the dissolution of the USSR has led them to choose other more traditional European destinations like Spain, France, the UK or Italy, which are the big European tourism powers. As for Latin America, in the last decade the tourism sector has grown steadily, as shown by studies carried out by the UNWTO.<sup>65</sup>

In spite of this, the volume of tourists coming from the CEE countries is low. For example in the case of Mexico, which is by far the Latin American country which receives the most tourists, in the top 25 countries in terms of numbers of incoming tourists, there is no CEE country. The same is true of Brazil. It is worth highlighting that in the case of Argentina, the second Latin American country in terms of tourist traffic, shows data confirming the growth of the numbers of Eastern European tourists. Table 9 shows that among European tourists, the region that grew the most was Central and Eastern Europe.

Through interviews carried out during this project, representatives of various entities of the Dominican Republic, El Salvador, Mexico and Ecuador have pointed out that tourism is destined to be a very interesting sector for bringing both regions together. Indeed, in November 2013 the Polish aviation company LOT signed an agreement with Rainbow Tours to have direct charter flights (with 1 or 2 stops) from Warsaw to Cancún, which would go every 14 days.<sup>66</sup> There are also several Czech travel agencies in El Salvador, which have been operating for approximately five years and have multiplied the number of visitors from that country.<sup>67</sup>

Governments of both regions have also signed tourism cooperation agreements during the last decade, for example Chile and the Czech Republic (April 2011), Argentina and the Czech Republic (April 2005) or Mexico and Poland (May 2004). Without doubt, this sector is a key market niche to develop in the short and medium term, for which the existence of more direct routes would facilitate exchange.

<sup>65</sup> World Tourism Organization (2013), *Tourism in the Americas – 2013 Edition*, UNWTO, Madrid.

<sup>66</sup> Initially the agreement will run until March 2014.

<sup>67</sup> Interview with specialised PROESA (El Salvador agency for the promotion of exports and investment) personnel for this work.

# 6 EVALUATION AND FUTURE OF RELATIONS BETWEEN CEE AND LAC COUNTRIES

Relations between LAC and CEE countries over the last two decades have progressed favourably, but they continue to be weak in relative terms if compared with those of Western European countries. The accession of the CEE countries to the EU initially had the effect of concentrating the political and economic activity of these countries on their full incorporation and the opportunities their membership would afford, so LAC did not form part of their priorities.

However, accession also meant the incorporation of the CEE countries into the European foreign and security policy and with it, the incorporation of the whole heritage of policies and legal frameworks of the relationship that has been built up around the bi-regional Strategic Partnership between the EU and LAC countries. This includes political dialogue, economic agreements and cooperation and has had a galvanising effect on relations.

For the LAC countries, the CEE countries have not been a priority for their foreign policy and they continue not to be, but there has been a rapprochement in recent years. It is an asymmetrical approximation in which a few countries stand out: Poland, the Czech Republic and Hungary on one side and Mexico and Brazil on the other, although a slow, selective approach of other countries can be seen and new bilateral initiatives are appearing.

The first barrier to closer relations, both economic and political and social, is the lack of mutual understanding. This factor was almost unanimously underlined during the 30 interviews we carried out. Added to this are language barriers. However, previous historical relations and the presence of diasporas as a result of the migratory waves of Central Europeans to LAC in the past have been and continue to be determining factors for galvanising relations.

Another obvious general problem is the geographical distance, which is added to the shortages in connecting infrastructure by sea, land and air both for the transport of people and goods. However, the process of globalisation and the general reduction of transport costs offer new opportunities for economic and social interaction.

In the following, we provide an analysis of the obstacles and potential of the relationship divided into two sections: economic exchange, and social cooperation and political dialogue. However,

all these factors are interrelated and it is necessary to move forward in all of them in a coordinated manner.

### **6.1) DIFFICULTIES AND OBSTACLES TO EXCHANGE**

The mutual ignorance in the area of trade exchange spans from consumer patterns, to how the business sector works and includes language barriers.

The general perception of Central and Eastern Europe for Latin Americans and Caribbeans is more related to what used to be the Soviet Union than to their membership of the EU. From the other side, Latin America and the Caribbean is still an unknown for many CEE entrepreneurs who prefer to strengthen their ties within the EU rather than throwing themselves into the conquest of unknown markets sometimes seen as risky because of the lack of confidence in the political and monetary systems of some countries.

Because of the geographic distance the subject of transport and its costs is crucial. The main problem stems from the lack of transport networks, routes and logistics connecting both regions directly. The products entering through Hamburg, Rotterdam or Antwerp coming from LAC need distribution through intermediary companies by road or rail to the CEE countries, which makes the final price higher. On the other side of the Atlantic, the lack of internal connectivity, infrastructure and adequate transport routes between Latin American countries make the transfer of goods arriving in ports more difficult.

As there is no direct exchange, the statistics often do not reflect real trade. But this is not the only case; the lack of reliable data affects the service sector and investment as well as trade.

The European Union's CAP remains a big obstacle to Latin American agricultural exports, mostly affecting the South American countries. On the other hand the feared competition of the CEE and LAC countries in the agricultural market has not produced significant deviations. However, the phytosanitary and security standards for entry into the European market are highlighted as an obstacle.

For their part, the CEE countries come up against obstacles in their trade of industrial products which are usually highly competitive but hit strong entry barriers, particularly in the Mercosur countries. A clear example of this situation is the case of finished cars.

The CEE countries also point to obstacles they encounter when they want to establish themselves or have exchange with some LAC countries because of different legislations, intra-regional trade barriers, double taxation or non-tariff barriers and/or purely bureaucratic delays impeding trade facilitation.

Decisions on large investments are taken according to well-established parameters which assess costs of all types, regulatory frameworks, legal security and potential markets among other things, like those taken into account when drawing up the Doing Business ranking, in which the LAC countries are latecomers compared to the CEE countries.

Export flows between LAC and CEE countries are dominated by large companies which have entailed the rise of the multinationals. SMEs find the road to internationalisation very difficult. The framework of small and medium-sized enterprises is much weaker in Latin America than it is in the EU, which also presents a problem when it comes to setting up partnerships.

Other factors making exchange more difficult are those related to the mobility of people, such as the obligation to get a visa, especially in the EU, the limitations on the delivery of services, and double taxation.

The strategy of market diversification is a common pattern in both regions. As a result of the crisis, the CEE countries have seen the need to look for new options and partners outside Europe that might allow them to diversify their economy. In the case of LAC the expansion of trade with the EU involves increasing volumes with the CEE countries.

The structure of CEE-LAC exchange follows the classic pattern of European-Latin American exchange, that is, raw material exports, agricultural or mining products and some manufacturing with little added value from LAC to Europe; and in the other direction, manufactured goods, generally with a greater added value. But there are some exceptions to this rule, the most notable case being Mexico, although it also happens with Brazil in certain specific sectors like the aeronautical sector.

The CEE countries have highly defined and developed market niches, which allows them to insert themselves in particular sectors, such as the military, shipping, autoparts, industrial machinery or mobile phone industries.

Both the LAC and some CEE countries are middle-income countries, so they have a greater growth potential than high-income countries. This characteristic makes them ever more attractive consumer markets. To improve mutual understanding of existing opportunities, the main mechanism used has been the organisation of business missions in defined sectors, but it has not progressed to a massive use of organised information systems or networks to connect businesses at distance.

The existence of related markets for the triangulation of trade both to LAC and to CEE countries could be an incentive for investment. Mexico appears as an attractive partner because of its competitive production costs, proximity to the USA and the existence of NAFTA. On the part of the CEE countries, the large Russian market is a pull factor.

The level of investments between the CEE and LAC countries is very low. It is in an exploratory phase, but with enormous growth potential. Mutual investments are fundamentally focussed on the automotive, primary products and mineral resource exploitation sectors, some companies based on technology and software and the pharmaceutical sector.

Currently, investments are led either by multinationals who invest on the basis of production being fragmented in GVC, or large companies that set up national or regional headquarters to win markets.

Small and medium-sized enterprises have more problems investing in little known markets and need accompaniment and policies of investment promotion and protection. The situation of the Latin American SMEs is less favourable, as their links with international markets through exports are weak.

In Latin America, one of the attractive sectors for investment catching the eyes of CEE countries is the exploitation of natural resources in South America. This is a sector in which there are complementary relationships, both in extraction and in machinery.

Tourism is a strategic growth area that deserves special attention, not only because of its economic implications, but also because of its importance for cultural closeness and understanding to overcome the basic barriers inhibiting a more fluid exchange.

The biggest participation of foreign added value in trade is in Central America and Mexico while in South America, given the lower added value in exports, companies are positioned more as raw materials suppliers than as generators of added value.

In choosing their location, investments related to GVCs take great account of factors such as import and export tariffs and other barriers, like the rules on the percentage of origin of national components of a product. Hence the importance of free trade agreements, which are very few in the case of the Mercosur countries.

## **6.2) COOPERATION AND POLITICAL DIALOGUE**

Historically the EU has been the main donor in Latin America, to which it allocates regional (EU/LAC and EU/Caribbean), subregional (EU/Mercosur-CAN-Central America) and bilateral (EU/LA countries) funds. However, European cooperation policy is in a process of change which implies that, for the next period 2014-2020, 11 Latin American and Caribbean middle-income countries will no longer be eligible for bilateral programmes.

However, the drive towards the regional format might be an opportunity for countries with less developed cooperation such as the CEE and LAC countries to join regional cooperation programmes promoting networking and triangular cooperation.

The CEE countries hardly participate in the EU regional cooperation programmes for LAC. It appears that there is either a noticeable ignorance of the existence of these programmes or even the perception that they are projects which are heavily influenced by certain member countries with greater connections with LAC and which are gaining an advantage through their previous connections.

Academic exchange and cultural diffusion are key factors in recognising similarities. Initiatives such as the creation of joint chairs – which can be supported by community education and research programmes – the granting of scholarships and establishment of inter-university agreements, or the organisation of festivals of music, cinema or other forms of artistic expression, contribute to that.



The bi-regional Summits have been a driving force for relations both regarding the construction of a network of Association Agreements, for opening or closing agreement negotiations, and to agree priorities and boost bi-regional cooperation instruments. Other inter-regional dialogues of a sectorial nature, like the dialogue on illicit drug trafficking, migration, social cohesion and the environment allow closer positions.

The Summits allow for direct contact between leaders, which contributes to the reduction of the high level of mutual ignorance between both groups of countries. But it is also true that participation in the debates on cooperation priorities and strategies and in the negotiations of agreements has contributed to the generation of own bilateral policies between the CEE and LAC countries in a process of Europeanisation of foreign policy.

Added to the political dialogue have been specialised dialogues and other forums such as the Parliamentary Assembly EUROLAT, the dialogue between legal powers of both regions and forums of civil society, unions, entrepreneurs and academics, which stimulate mutual understanding and the participation of the CEE countries in EU policies in the region.

The emergence of CELAC has implications for the international positioning of LAC as a region, as it brings with it the need to reach consensus in order to speak with one voice, reaching common ground and the definition of regional positions, as well as a single voice at intra- and extra-regional level which reinforces its identity.

Over the last decade bilateral/regional relations have increased considerably, not only at the level of the number of ordinary permanent diplomatic representations but also through high-level visits. However, the network of diplomatic representations is still limited.

It is still too early to assess the effect of the creation of the European External Action Service on relations, but it should contribute to the strengthening of relations through CEE countries with a reduced network of diplomatic representations being able to make use of European representations as a platform for their external action and promotion.

### **6.3) RECOMMENDATIONS**

From the above it becomes clear that there are important obstacles to the development of relations but also important opportunities to extend them and instruments to eliminate or reduce the former and strengthen the latter. On this matter, recommendations are:

The consolidation of new routes and logistical systems is needed to avoid intermediaries and their resulting impact on the final price of the product. Estonia and Latvia could be consolidated as ports to supply the Baltic region and as a gateway to the Russian market.

Improved availability and diffusion of information is a key aspect that needs to be strengthened, in order to move towards the massive use of data exchange systems and the generation of inter-business networks.

Updating the Association Agreements between the EU and LAC, signing new ones and re-starting negotiations is an opportunity to dissolve the great majority of the previously described obstacles. Liberalisation is essential to strengthen large companies' production chains and facilitate exchange between SMEs.

It is important to make progress in the generalisation of ARPPs at community level, which will offer better protection to the CEE and LAC groups, especially to the smallest countries, which do not have their own network of agreements, and will simplify the normative framework.

The renewal of the agreements with Chile and Mexico should include sustainable development in trade exchange, specific subjects such as energy and communications, and liberalise the trade of agricultural goods, services and investment.

Other aspects to strengthen and review are the collaboration with SMEs, trade facilitation, the development of cooperation in regulatory coherence and public tenders, the regulation and protection of industrial and intellectual property rights.

Regional agreements play an essential role for regulatory convergence and consolidating a more homogeneous relationship framework. This is important in order to improve the business climate, reduce bureaucracy and guarantee legal security of investments.

In the application of agreements with the less advanced countries attention should be paid to the impact on tax and the environment, as well as to bi-regional imbalances, the removal of institutional deficiencies, infrastructure and, in general, barriers which could impede sustainable commercial growth. For this, large investments in infrastructure and human resources will be needed both from the public and private sectors.

Greater interaction should be sought in complementary sectors such as tourism, culture, entertainment and sports. An example is to take advantage of the increase in tourism flows to export the niche of jet fresh plants, which can be in the European destination market within eight hours. It is thus necessary to increase direct air links.

In order to strengthen diversification and a better understanding of opportunities it is necessary to reinforce public-private collaboration and coordinate actions between chambers of commerce, promoting agencies and national trade missions with the European programmes.

The renewal of the majority of the regional cooperation programmes 2014-2020 should consider how to incorporate more CEE countries establishing goals and specific instruments to promote their understanding and effective participation.

This is particularly true for programmes of science and technology, higher education and cooperation between local agents who not only contribute to joint development but also help to improve mutual understanding which today is missing.

The European External Action Service and the representations can make specific efforts on this, but there must also be more proactive action by national social actors to promote exchange links. This is easier for those countries that have a presence of diasporas but very difficult if there is no previous relationship.

The EU representations should serve as catalysts and facilitators of CEE countries' relations in Latin America when they do not have their own network. It is also important to strengthen joint actions of groups of CEE countries, as well as of the Baltic or Visegrad 4 countries, and these together with other countries with a greater presence in the region.

The participation of the CEE countries in the political dialogues at different levels should be strengthened, as well as in specialised and civil society dialogues. The EU-LAC Foundation can have a specific role in the strengthening of links between LAC citizens and civil organisations, and should contribute to bringing policy closer to the social actors directly affected, involving them in the dialogues.

Facilitating the mobility of people is essential for the promotion of both economic and social and cultural exchange. A review of visa policies is needed so to adapt them to mobility requirements in order to facilitate direct investment and research cooperation.

Given that trade in products of high added value is directly related to direct investment, and this in turn to the mobility of people with highly skilled jobs, easing migration will contribute to boosting relations. With regard to double taxation, the reciprocal bilateral agreements should be strengthened.

The new Association Agreements should promote reciprocity in admission facilities to EU Member States' territories for highly skilled employees (Directive 2009/50/EC concerning the blue card), including the mobility of researchers for the promotion of cooperation programmes in science and technology.

Countries must draw up more structured cultural cooperation policies, which would allow synergies to be established between the existing national and European supply in developing scholarship programmes and joint exchange to facilitate movement between LAC and CEE countries. This has an influence on improved access to information, collaboration agreements and joint programmes. The dialogue established in the academic summits should serve to boost specific proposals.

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**Web sites of the Ministries of Foreign Affairs of the countries under study;**

**UNCOMTRADE** (<http://www.comtrade.un.org/>);

**UNCTAD** (<http://www.unctad.org/>);

**World Bank DataBank** (<http://www.databank.worldbank.org/>);

**World Trade Organization** (<http://www.wto.org/>)

## APPENDIX

### 01 Statistical tables

Evolution of regional GDP					
	2000	2001	2002	2003	2004
CEE	400,071,088,192	439,094,317,804	493,369,418,839	590,432,708,980	707,694,106,696
LAC	2,128,621,199,258	2,067,074,083,896	1,840,338,705,861	1,890,204,546,156	2,176,502,073,105
	2005	2006	2007	2008	2009
CEE	825,050,717,334	933,168,176,449	1,174,609,586,325	1,422,493,503,737	1,186,106,123,729
LAC	2,649,829,389,983	3,107,422,163,465	3,669,516,549,578	4,279,857,435,052	4,010,841,437,969
	2010	2011	2012		
CEE	1,221,090,006,620	1,352,450,248,108	1,284,059,542,252		
LAC	4,979,310,687,492	5,585,433,237,106	5,578,609,122,622		

Evolution of GDP per capita					
	2000	2001	2002	2003	2004
CEE	4404	4751	5503	6923	8338
LAC	3531	3434	3010	3040	3449
	2005	2006	2007	2008	2009
CEE	9406	10686	13515	15897	13393
LAC	4069	4708	5424	6316	6116
	2010	2011	2012		
CEE	13274	15094	14369		
LAC	7224	7908	8401		

Evolution of total trade				
Total trade LAC - CEE	2000	2001	2002	2003
	2,856,310,066	3,254,887,074	3,328,642,578	4,016,621,358
	2004	2005	2006	2007
	5,306,835,247	6,332,589,098	7,855,587,584	9,371,180,597
	2008	2009	2010	2011
	11,775,782,959	8,330,406,415	9,713,989,927	11,973,220,808
	2012			
	13,619,675,539			



**Total trade with CEE (2000-2012)**

Total trade with CEE	Arg	Bol	Bra	Chi
	12,227,836,630	184,742,965	34,359,254,666	7,195,458,779
Col	Cos	Dom	Ecu	
	3,835,839,623	2,917,907,036	656,660,006	3,481,468,568
Els	Gua	Hon	Mex	
	778,974,875	553,443,467	511,346,395	19,452,387,891
Pan	Par	Per	Sur	
	3,183,982,291	376,262,528	3,903,183,627	282,795,375
Tri	Uru	Ven		
	249,772,732	1,102,367,067	2,482,190,403	

**Total trade with LAC (2000-2012)**

Total trade with LAC	Bul	Slk	Slo	Est
	10,208,106,535	5,258,592,565	5,037,619,059	1,953,117,631
Hun	Lat	Lit	Pol	
	10,468,082,400	711,473,611	1,848,235,325	33,139,834,611
CzR	Rom			
	17,652,267,127	11,458,400,386		

## 02 List of conducted interviews

### LIST OF INTERVIEWEES CIDOB

1. Jorge Geraldo Kadri (Embassy of Brazil in Poland - Ambassador)
2. Manoel Otaviano Castro (Embassy of Brazil in Estonia - Secretary)
3. Doménico Fornari (Head of the Economic and Trade Section of the EU Delegation to Mexico)
4. Beata Wojna (Ambassador of Poland to Mexico)
5. Erika Martínez Llévano (Assistant to Director General for Regional Mechanisms Secretariat of Foreign Affairs) y Erik del Angel Landeroa (Head of Department for the Ibero-American Conference, UNASUR and ALBA Secretariat of Foreign Affairs)
6. Alejandro Negrín (Director General for Europe - Secretariat of Foreign Affairs) and Sergio Rivadeneyre Martell (Assistant to the Director General for the EU and European Council - Secretariat of Foreign Affairs)
7. Ramon Tonatiuh Romero Reyes (Director for Bilateral Economic Relations with Europe – Directorate General of Cooperation and Bilateral Economic Relations)
8. Tomás Olvera López (Director for Europe - Directorate General of Cooperation and International Economic Promotion – Mexican Agency for International Development Cooperation)
9. Andrzej Braiter (Ambassador of Poland to Brazil)
10. Egidijus Vareikis (Member of Parliament – Lithuania)
11. Ausra Gecaite-Verksniene (Secretary – Latin America, Asia and Pacific Division – Ministry of Foreign Affairs of Lithuania)
12. Titus Tintean (Economic Secretary – Embassy of Romania in Buenos Aires)

### LIST OF INTERVIEWEES IWE

1. József Perger (Head of Assembly Section - AUDI Hungary Motor Kft.)
2. Latin American Ambassadors in Hungary (Argentina, Brazil, Chile, Cuba, Ecuador, Mexico and Venezuela)
3. Zsuzsanna Vizi (Counsellor, Hungarian Investment and Trade Agency)
4. Zsuzsanna László (Representative, Hungarian Investment and Trade Agency -HITA- São Paulo)
5. Paweł Woźny (Embassy of Poland in Mexico / Adviser Political/Economic Section)
6. Stefan Bogdan Salej (Independent consultant - former Slovenian Govt. Special Envoy for LAC, 2007/8, President & Founder of CeLA Center for Latin America in Ljubljana, Slovenia)

## **LIST OF INTERVIEWEES ECSCA**

1. Agustín Tejeda Rodríguez (Chief Economist, Instituto para las Negociaciones Agrícolas Internacionales, INAI)
2. Marco Lélis (Coordinator of the Trade Intelligence Unit, APEX Brasil)
3. Hugo Baierlein (Manager for Foreign Trade/ Sociedad de Fomento Fabril, SOFOFA)
4. Carlos Ansorena (Consultant at the Foreign Trade Institute of Costa Rica/ Costa Rican Chamber of Exporters, CADEXCO)
5. Manuel Echeverría (Deputy Director General/ Institute for the Promotion of Exports and Investments, PROECUADOR. Ministry of Foreign Trade of Ecuador)
6. Juan Carlos Lopez (Manager for Market Intelligence/PROESA)
7. Erwin Feldhaus (Trade Adviser in Frankfurt. Director CEE (Central and Eastern European Countries)/PROMEXICO)
8. Luna Calderón, José Manuel Antonio (Director General for Europe and Africa/Deputy Secretary for Foreign Trade. Economic Secretary of México)
9. Carlos Perez-Cirera (Trade Adviser in Stockholm/PROMÉXICO)
10. José Miguel Sepúlveda and Gigliola Di Giammarino (Civil servants at the Department for Europe, Africa and Middle East. Directorate General for International Trade Relations. Ministry of Foreign Affairs of Chile)
11. Mario Ocharán (Deputy Director for Trade Intelligence – PROMPERU)
12. Osmar Benítez (Executive President – Junta Agroempresarial Dominicana)

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